AGENCE FRANÇAISE
DE DÉVELOPPEMENT

REGISTRATION DOCUMENT

2012

AGENCE FRANÇAISE DE DÉVELOPPEMENT

Shaping sustainable futures

REGISTRATION DOCUMENT 2012

This registration document was filed with the French Financial Markets Authority (AMF) on 29 April 2013 in accordance with Article 212-13 of its general regulations. It may be used in support of a financial transaction if it is supplemented by a Transaction Memorandum duly approved by the AMF. This document was prepared by the issuer whose authorised signatories assume responsibility for its content.

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METHODOLOGY & GLOSSARY

Figures

- Due to rounding, the tables' column totals may slightly differ 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.
- Annual commitments are presented net of cancellations during the year.
- For loans and subsidies, data in foreign currencies have been converted for payments at the end of the month of disbursement, to the exchange rate at the date when the commitment was approved and the closing price (31 December) for outstandings. For borrowings, the year's issues were converted to the closing exchange rate.

Scope

Except for the table on page 8 that presents all of the activities carried out by AFD on its own behalf and on behalf of third parties, all other data included in this document cover the same scope as that used to prepare financial statements established according to international accounting standards–in other words, only activities on AFD's own behalf.

Glossary

AE: Commitments
AFD: Agence Française de Développement
Ariz: Support for the Risk of Financing Private Investment in AFD's Areas of Operation
C2D: Debt reduction-development contracts
Cefeb: Centre for Financial, Economic and Banking Studies
CFF: Crédit Foncier de France
Cicid: Committee for International Cooperation and Development
CMF: French Monetary and Financial Code
COM: Contractual targets and resources
SSC: Strategic Steering Committee
CPC: Permanent Control and Compliance Department
DFC: Finance and Accounting Department
DOM: French Overseas Department
DXR: Executive Risk Department
Epic: Industrial and commercial public undertaking
ESF: Exogenous Shocks Facility
FFEM: French Global Environment Facility
PRGF: The Poverty Reduction and Growth Facility
FSD: Solidarity Fund for Development
SFI: Specialised financial institution
MAE/MAEE: French Ministry of Foreign Affairs
Minefi: French Ministry of the Economy and Finance
NGO: Non-governmental organisation
BCP: Business continuity plan
DC: Developing country
LDC: Least developed countries
HIPC: Heavily-indebted poor countries
RCS: Resources with special conditions
PSZ: Priority Solidarity Zone

1. GENERAL INFORMATION ABOUT AFD AND ITS CAPITAL

1.1 GENERAL INFORMATION ABOUT AFD

Head office
Agence Française de Développement
(formerly Caisse française de développement,
formerly Caisse centrale de coopération économique)
5, rue Roland Barthes
75598 Paris Cedex 12
Tel: +33 (01) 53 44 31 31

Legal form
Agence Française de Développement (hereafter the "AFD") is an industrial and commercial State public agency with the status of a financially-independent legal entity. As defined by the French Monetary and Financial Code ("CMF"), AFD is a specialised financial institution, namely a credit institution with a permanent public service mission. Its bylaws are defined in Articles R.516-3 to R.516-20 of the CMF, most recently amended by Decree 2009-618 of 5 June 2009. AFD's governing body, previously known as the Supervisory Board, is now called the Board of Directors.

The issuer's governing law
AFD is subject to French law.

Date of creation and duration
AFD was created by the order of 2 December 1941 for an indefinite period.

Corporate purpose
In accordance with CMF Article R.516-3, AFD's mission is to carry out financial operations that contribute to the implementation of the French State's official development aid policy to developing countries and the French Overseas Departments and Collectivities and New Caledonia. To this end, AFD finances environmentally friendly economic development operations and may conduct other activities and services linked to its mission. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

Trade and companies registration
RCS Paris B 775 665 599

Consultation of legal documents
At the head office - 5, rue Roland Barthes - 75598 Paris Cedex 12

Financial Year
From 1 January to 31 December.

Documents available to the public
While this registration document remains valid, the following documents (or copies thereof) may be consulted:
a) AFD's by laws and amending decrees;
b) any reports, correspondence and other documents, historical financial information, appraisals and declarations prepared by an expert or auditor at AFD's request, part of which are included or referred to in this registration document;
c) historical financial information relating to AFD and its subsidiaries for each of the two financial years preceding the publication of this registration document.

The aforementioned documents may be consulted in hard copy at AFD's Head Office or on its website, **www.afd.fr**

1.2 GENERAL INFORMATION ABOUT AFD'S CAPITAL

AFD's funding
AFD funding amounts to €400M. This may be increased through the incorporation of reserves upon deliberation by the Board of Directors and approved by order of the French Minister of the Economy. It may also be increased through the allocation of public funds in accordance with current laws and regulations.

1.3 CURRENT BREAKDOWN OF CAPITAL AND VOTING RIGHTS
(Not applicable)

1.4 AFD'S STOCK ISSUES
(Not applicable)

1.5 DIVIDENDS

Statutory distribution of net income
Until 2003, AFD did not pay any dividends, allocating all of its earnings to reserves in order to strengthen its capital base.

Since 2004 and pursuant to Article 79 of the amending Finance Bill 2001-1276 of 28 December 2001, a dividend has been paid to the French State.

2. MANAGEMENT REPORT

2.1 ACTIVITIES OF AGENCE FRANÇAISE DE DÉVELOPPEMENT GROUP IN 2012

The data provided herein exclude Agence Française de Développement's (AFD's) refinancing operations for PROPARCO.
To make the scopes more comparable, AFD's activities in foreign countries include PROPARCO sub-participations, i.e. PROPARCO financing guaranteed by AFD.
The Group's global activity in foreign countries and the French Overseas Departments and Collectivities in 2012 may be summarised as follows:

AFD Group's 2011-2012 approvals

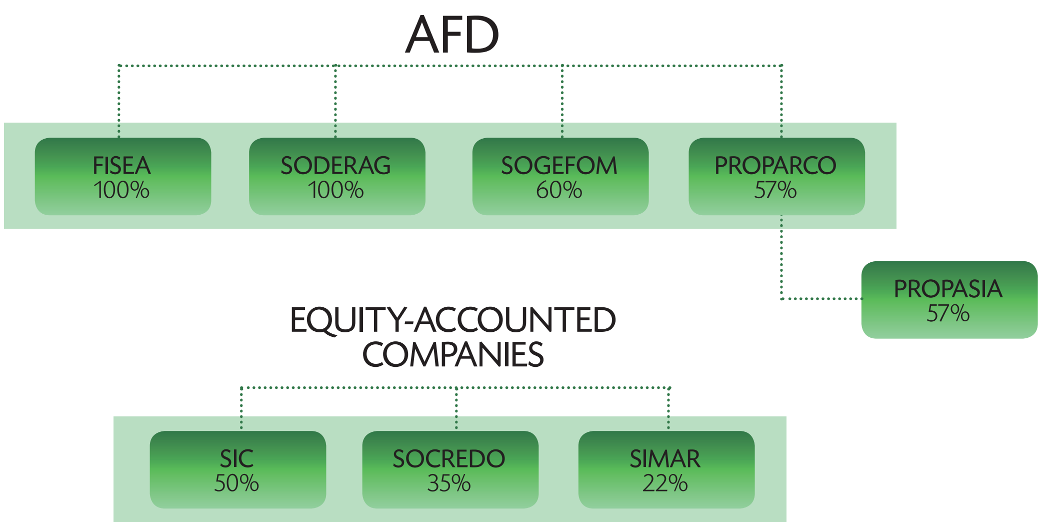
In millions of euros	Amount authorised in 2011	Amount authorised in 2012
AFD FOREIGN COUNTRIES		
Ongoing operations	***4,682.9***	***4,416.5***
Subsidies	210.4	219.7
Sovereign concessional loans	2,651.3	3,014.4
Non-sovereign concessional loans	451.1	259.4
Non-sovereign non-concessional loans	1,172.3	770
of which AFD sub-participations granted to PROPARCO	217.3	164
Funding for NGOs	40.2	44.7
Guarantees	157.5	108.4
Mandate-specific operations	***379.9***	***306.3***
TOTAL AFD FOREIGN COUNTRIES	5,062.8	4,722.8
AFD FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES		
Ongoing operations	***797.4***	***1,158.1***
Loans	671.1	970.2
Guarantees granted to the public sector	0	40
Guarantees granted to the private sector	126	146.2
Equity stakes	0.3	0
Assigned funds delegated by MAE (Pacific Fund)	0	1.8
Mandate-specific operations and description	***310.1***	***311.8***
Oséo funding	277.4	280
Managed funds	32.7	31.7
TOTAL AFD FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES	1,107.5	1,469.9
PROPARCO FOREIGN COUNTRIES		
Loans	783.1	843.1
of which AFD sub-participation loans to PROPARCO	217.3	164
Equity stakes	96.7	75
Fisea	27.6	11
Other securities	13.6	3.9
Guarantees	9.5	7
TOTAL PROPARCO FOREIGN COUNTRIES	930.5	939.9
PROPARCO FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES		
Other securities	0	8.5
TOTAL PROPARCO FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES	0	8.5
of which AFD sub-participations granted to PROPARCO for one-time deduction	*-217.3*	*-164*
TOTAL GROUP APPROVALS	**6,883.5**	**6,977.2**

The table continues on page 9

	Amount authorised in 2011	Amount authorised in 2012
AFD - SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS		
Loans delegated by other backers - foreign countries	91.5	173
Pacific Fund - Loans delegated by the MAE	2.6	
Loans delegated by other backers - French Overseas Departments and Collectivities	0	2.8
PROPARCO - SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS		
Loans	20	81
TOTAL GROUP APPROVALS INCLUDING SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS	**6,997.7**	**7,233.9**

2.2 CONSOLIDATION SCOPE

As part of its development financing mission, AFD holds equity stakes in companies or organisations in the geographic areas in which it is active, i.e. foreign countries and French Overseas Collectivities. The percentages listed below correspond to the equity stake held directly or indirectly by AFD.



The consolidation scope is presented in greater detail in Note 2.1 of the notes to the consolidated financial statements.

2.3 SUMMARY OF AFD'S AND PROPARCO'S ACTIVITIES IN FOREIGN COUNTRIES[1]

AFD and PROPARCO account for 99% of the Group's balance sheet total and represent the bulk of consolidated income (99% of NBI). The geographic distribution of loans granted by AFD on its own behalf and by PROPARCO in foreign countries is presented in the table below. Sub-participation loans with PROPARCO (joint financing), at AFD's risk, are not included in AFD's figures (disbursements of €154M and €547M of outstandings, with €197M still to be disbursed at 31 December 2012).

Situation at 31 December 2012 of AFD's and PROPARCO's loans in foreign countries

	Disbursements		Outstandings		Amounts to be disbursed	
In thousands of euros	AFD	PROPARCO	AFD	PROPARCO	AFD	PROPARCO
AFGHANISTAN				6,242		
SOUTH AFRICA	97,088	24,940	663,068	137,216	701,434	18,689
ALGERIA			148,073	7,716		
ARGENTINA		1,547		1,516		28,801
BANGLADESH					34,106	22,738
BENIN			13,720			10,000
BRAZIL	629,712	45,333	639,714	202,330	216,830	45,000
BURKINA FASO	7,500		99,629		49,466	
CAMBODIA	8,971	10,839	20,599	28,480	66,995	7,579
CAMEROON	3,693	7,101	272,146	31,410	511,719	2,899
CAPE VERDE	1,528		7,538	4,286	36,459	
CENTRAL AFRICAN REPUBLIC			1,268			
CHINA	168,381	23,080	657,028	39,295	330,600	34,864
COLOMBIA	75,792		296,442		476,286	
COMOROS			1,023	1,818		
CONGO	9,034		26,987		6,130	
COOK ISLANDS			1,945			
COSTA RICA		5,644		5,305		7,579
CÔTE D'IVOIRE		4,307	535,421	10,198	210,686	97,653
DJIBOUTI	210		31,702	13,588		
DOMINICAN REPUBLIC	106,062		207,755	49,508	40,274	75,792
EGYPT	42,542		93,404	20,125	580,596	15,158
ECUADOR				7,579		15,158
ETHIOPIA	6,468		23,048		121,952	
FRANCE		4,000	25,000	4,000		
GABON	25,819		99,419		136,137	
GAMBIA			906			
GEORGIA						15,158
GHANA	34,763	8,141	191,143	24,258	411,434	38,860
GRENADA			1,445			
GUATEMALA				8,114		
FRENCH GUIANA			96,307			
HONDURAS						15,158
DOMINICA	8,969		15,314		17,551	
INDIA	27,475	62,482	103,646	230,178	536,516	46,895
INDONESIA	58,843	17,454	702,017	43,375	236,765	7,393
IRAQ		14,878		63,375		15,158
JAMAICA		9,477		69,331		
JORDAN	100,944	21,508	168,145	102,520	248,006	5,272

The table continues on page 11

1. Not restated for IRFS adjustments, outstandings remitted, convertible bonds and PROPARCO outstandings on behalf of third parties.

In thousands of euros	Disbursements		Outstandings		Amounts to be disbursed	
	AFD	PROPARCO	AFD	PROPARCO	AFD	PROPARCO
KENYA	86,668	25,870	368,565	85,109	691,935	70,879
LAOS	-517	3,831	18,296	48,618		
LEBANON	49,260	7,958	436,116	31,193	376,739	3,411
MADAGASCAR			8,695	4,578		
MALAWI				584		
MALDIVES	2,454		4,605	1,877	12,291	
MALI	1,233		43,029		83,002	
MOROCCO	356,270	60,000	1,204,468	116,583	959,683	
MAURITIUS	57,239	55,000	233,851	55,881	258,711	
MAURITANIA	75,173		157,557	1,250	66,300	
MEXICO	58,542		542,325	23,909	344,845	
MONGOLIA		3,923		4,472		883
MOZAMBIQUE	11,271	-154	87,694	23,772	98,236	
NAMIBIA		4,456	32,283	4,475		
NICARAGUA		23,105		31,062		3,352
NIGER	25,000		25,000	1,704	26,400	
NIGERIA	16,284	69	15,194	66,693	165,019	31,262
UGANDA	6,744	15,122	24,947	70,180	89,432	6,063
PAKISTAN	9,207	6,531	54,653	31,302	160,847	1,819
PANAMA		8,182		8,011		18,516
PARAGUAY		12,094		34,106		3,790
PERU		29,870		47,391		16,408
PHILIPPINES			150,000		52,543	
DEMO. REP. OF THE CONGO		7,579	84,333	7,579		
RWANDA			3,790		11,369	
SAINT LUCIA			7,439	11,626		
SENEGAL	186,457		376,899	51,272	206,728	
SEYCHELLES					10,000	
SOMALIA			75,335			
SRI LANKA	11,646		85,964	9,780	38,040	22,738
ST-VINCENT & THE GRENADINES		4,505				
SURINAM	10,999		25,428		16,116	
SYRIA				15,916		
TANZANIA	10,731	3,965	30,849	30,053	84,269	11,369
CHAD			2,994	7,308		
THAILAND			75		20,000	
TOGO		6,533		22,782		23,467
TUNISIA	173,037	528	981,614	48,435	397,449	442
TURKEY	40,000	112,077	760,435	281,146	138,959	86,609
URUGUAY						30,317
VANUATU			3,539			
VIETNAM	76,399	3,901	740,835	79,072	422,711	8,071
YEMEN			1,428		62,072	
ZAMBIA			88	16,126	79,667	30,317
ZIMBABWE		16,125		13,563		
MULTIPLE COUNTRIES	129,510	103,707	482,799	227,630	158,421	171,489
TOTAL	2,807,401	771,002	12,219,480	2,626,802	10,001,728	1,067,005
COMBINED TOTAL	3,578,402		14,846,282		11,068,733	

2.4 AFD'S ACTIVITIES

2.4.1 GENERAL COMMENTS

AFD is an industrial and commercial public establishment (Epic) and a specialised financial institution (SFI) whose bylaws are defined in Articles R.516-3 et seq. of the French Monetary and Financial Code (CMF). It is managed by a Chief Executive Officer who is appointed by decree for a three-year term (Article R. 516-12 of the CMF) and a Board of Directors (Articles R. 516-13 to 15 of the CMF).

AFD is responsible for financing international development projects and programmes within the strategic framework defined by the Committee for International Cooperation and Development (Cicid). AFD is also responsible for financing development in the French Overseas Departments and Collectivities, and in New Caledonia.

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

It is also responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R. 516-3 of the CMF). This technical assistance may be provided as part of its projects and programmes or to select establishments, especially to those that it helped to create and in which it holds an equity stake.

In addition to carrying out operations on its own behalf, AFD is authorised by its bylaws to conduct a certain number of operations on behalf of third parties.

As such, it may represent the European Community as well as international institutions and organisations and manage activities funded by the European Community or other backers (Article R.516-8 of the CMF). Moreover, AFD is permitted to manage local authorities' funds under the condition that the rules governing public accounting are respected. As a result, AFD represents two specialised financial institutions in the French Overseas Departments and Collectivities: Crédit Foncier de France (CFF) and Oséo. Oséo is the State's main organisation for providing support to small- and medium-sized businesses. Since 2001, AFD has also represented Caisse des Dépôts for some of its activities in the French administrative districts of the Pacific and in Saint-Pierre-et-Miquelon.

AFD also manages operations financed by the French State's budget on its and at its risk (Article R. 516-7 of the CMF).

The most recent amendment to AFD bylaws was on 5 June 2009 (Decree 2009-618). One of the main changes this decree enacted was the creation of a Strategic Steering Committee (SSC), a State entity headed up by the Minister for Development. This committee is responsible for strengthening the link between policy on official development assistance (ODA) set out by the Cicid and the way in which these policies are executed by AFD. In terms of AFD's mission, this decree entrusted it with the task of distributing an annual loan delegated by the State for financing projects proposed by NGOs and ensuring project design and evaluation.

AFD is the sole entity with authority over bilateral aid in the following sectors: agriculture and rural development, healthcare, basic education and professional training, the environment, the private sector and, lastly, infrastructure and urban development.

In terms of financial instruments and operating methods, AFD:

- ✓ by granting long-term loans and subsidies, helps to spur development in partner-countries as well as international cooperation on environmental issues and on climate change;
- ✓ guarantees business loans and underwrites corporate bonds and certain government bonds;
- ✓ acquires equity stakes in companies or organisations linked to its mission;
- ✓ ensures legal and financial responsibility for the French Overseas Departments Fund (tripartite management agreement of 22 December 2009 signed between the State, AFD and Oséo);
- ✓ is responsible for implementing aid to States that the French government has decided to assist through general budget support (GBS);
- ✓ manages the French bilateral part of the Heavily Indebted Poor Countries (HIPC) initiative agreed at the G7 summit in Lyon in 1996;
- ✓ manages the Solidarity Fund for Development (FSD) for the State, a fund which is mostly financed by a tax on plane tickets, the receipts for which are used to repay the first issue of International Finance Facility for Immunisation (Iffim) bonds, to finance the Global Fund to Fight AIDS, Tuberculosis and Malaria and for the international medicine purchasing facility (Unitaid);
- ✓ contributes to the financing of the IMF's Poverty Reduction and Growth Facility (PRGF) and the IMF's Exogenous Shocks Facility (ESF) on behalf of the French State;
- ✓ hosts the secretariat of the FFEM, the French Global Environment Fund;
- ✓ and finally hosts the secretariat of the French Alliance for Cities and Territorial Development (PFVT).

Moreover, AFD is increasingly focused on its intellectual output, in other words, discussion, production, capitalisation and research relating to development aid and sustainable development issues.

Lastly, AFD, via the Centre for Financial, Economic and Banking Studies (Cefeb), which it founded in 1961, provides training and continuing education for top-level managers in the foreign countries and French Overseas Departments and Collectivities in which it is active.

AFD's operating scope

According to Article R. 516-5 of the CMF, AFD's financial aid is allocated to countries in the Priority Solidarity Zone (PSZ) determined by the Cicid by virtue of Article 3 of Decree 98-66 of 4 February 1998. In addition, they may be approved by a joint decision of the Ministry of Foreign Affairs, Ministry of the Economy and Finance and, in the first two cases below, the Ministry responsible for French Overseas Departments and Collectivities:

- ✓ in countries that are members of regional cooperation agreements for French Overseas Departments and Collectivities;
- ✓ in French Overseas Departments and Collectivities and New Caledonia;
- ✓ in other countries.

In accordance with the Cicid decisions of 14 February 2002, the scope of this zone includes 55 foreign countries, of which 40 are in the Africa and Indian Ocean region, four in the Caribbean and Central Americ[1], one in Oceania, six in the Mediterranean and four in Asia. Afghanistan was included in the PSZ in 2004 (provisionally).

On 19 June 2006, the Cicid decided to allow AFD to contribute to projects aimed at improving the management of global public goods in Brazil, India, Indonesia and Pakistan through non-concessional or only slightly concessional loans. It also opened up AFD loans to all of the countries of Sub-Saharan Africa.

Moreover, under the framework established by a joint letter from the Ministry of Foreign Affairs and the Ministry of the Economy and Finance dated 5 June 2009, AFD was authorised to operate in nine countries in Latin America and Asia (Mexico, Colombia, Bangladesh,

1. Cuba is only eligible for the Priority Solidarity Fund.

Malaysia, the Philippines, Sri Lanka, Kazakhstan, Uzbekistan and Mongolia) as part of a specific mandate aimed at promoting green, solidarity-based growth. A second joint letter, dated 2 April 2012, authorised it to operate in Armenia, Azerbaijan, Bangladesh, Colombia, Georgia, Mexico, Kazakhstan, Uzbekistan, the Philippines and Sri Lanka under the same mandate. According to the second letter, AFD's operations in this respect should be in the form of non-concessional or only slightly concessional loans and may not in aggregate exceed 10% of government financing allocated to AFD's activities. In Kazakhstan, only sovereign loans may be granted.

The letter also authorised AFD to operate in two new regions:

- ✓ Libya: as part of the programme to rebuild and develop this country, AFD will assist Libyan project management in defining and implementing its public policies. Priority sectors are: water, sanitation, renewable energy, sustainable infrastructure, health, professional training and youth unemployment;
- ✓ Burma: given the major political changes that have taken place in this country and in accordance with France's political will to support the transition process currently underway, AFD will carry out operations for a four-year period under the "post-crisis countries" mandate by mobilising subsidies.

An office has been open in Iraq since October 2010, following a joint letter from the Ministry of Foreign Affairs and the Ministry of the Economy and Finance, with approval granted by AFD's Board of Directors on 30 September 2010.

Contractual targets and resources from now until 2013

On 29 October 2011, the French Government and AFD signed a Targets and Resources Contract (COM) to define objectives and schedule resources for AFD activities until 2013.

This COM covers all of AFD Group's activities, including setting guidelines for them, in foreign countries as well as French Overseas Departments and Collectivities, while considering targets and characteristics unique to each type of intervention. It also covers the coordination of knowledge production, communication, support and advisory activities for the State and the policy regarding AFD partners. These guidelines are monitored using 26 indicators, which AFD reports to the State on an annual basis.

2.4.2 ACTIVITIES ON ITS OWN BEHALF AND THEIR FINANCING

The following types of financing are available:

In foreign countries

✓ Ongoing operations

- Subsidies: priority operations in 17 priority poor countries[1]. Donations are broken down into (i) project funding, (ii) funds for research and capacity-building or (iii) sector-specific innovation facilities for NGOs.
- Loans:

  ➢ The non-sovereign pricing structure includes concessional products with subsidy levels that vary primarily according to counterparty and country risk. This subsidy is obtained through a blend of direct subsidies and Resources with Special Conditions (RCS) from the French Treasury. The structure also includes a market-rate product that is entirely unsubsidised.

  ➢ The sovereign pricing structure includes concessional products obtained due to direct subsidisation and/or use of RCSs from the French Treasury. The level of subsidisation varies according to country and project. The structure also includes a loan with indirect concessionality obtained due to a lack of individualised pricing of the margin for risk.
- Guarantees: guarantee activity in foreign countries entails, on the one hand, commitments given by AFD directly to cover such operations as borrowings, issue subscriptions or cash facilities, and on the other hand, guarantee commitments through its guarantee facility, Support for the Risk of Financing Private Investment in AFD's Areas of Operation (Ariz). This facility guarantees private-sector outstandings through local banks that request it. It includes Ariz I mechanisms, which AFD manages on behalf of the French government, Ariz II mechanisms for Sub-Saharan Africa (created in 2008) and Ariz Med for Mediterranean countries (created in 2009). A portfolio guarantee product (risk sub-participation) allows for a guarantee to be provided that covers 50% of the individual loans granted by a bank while leaving the bank with the decision-making and management authority for each guarantee.
- Equity stakes: AFD holds equity stakes in foreign countries.

✓ Mandate-specific operations

- General Budget Support (GBS) or specific aid, e.g. mesofinance[2] granted in the form of subsidies, primarily in the Least Developed Countries (LDCs), or loans with a guarantee from the French State and an interest subsidy, reserved particularly for Middle-Income Countries (MIC).

In the French Overseas Departments and Collectivities

AFD's activities in the French Overseas Departments and Collectivities were confirmed by the Inter-ministerial Committee for the Overseas Departments and Collectivities on 6 November 2009 and are structured around the following well-defined activities:

1. The 14 countries established at the Cicid meeting of 5 June 2009: Benin, Burkina Faso, Comoros, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Democratic Republic of the Congo, Central African Republic, Senegal, Chad and Togo. Three additional countries were added to this list during the interministerial meeting of 20 January 2012, namely: Djibouti, Burundi, Rwanda.
2. Specific budget support granted by the French government and aimed at extending access to financial services for small enterprises in certain African countries.

✓ **Loans**

- Financing public-sector investment in a spirit of partnership and notably support to local authorities in defining and implementing their development strategies. This activity is carried out through subsidised loans to local authorities, public undertakings and semi-public companies for operations concerning priority sectors for employment, economic development, solidarity and the environment or in the form of non-concessional loans. Moreover, AFD may grant short-term loans to local authorities in the form of EU subsidy prefinancing.
- Financing of the private sector, through non-concessional loans, via direct lending and refinancing of the banking sector.
- AFD also supports the development of microcredit institutions in French Overseas Departments and Collectivities by contributing to their refinancing.

✓ **Guarantees**

- In French Overseas Departments, AFD manages–through its French Overseas Department Fund–a significant amount of guarantees and medium-term bank loans that support the innovation, creation and growth of approximately 1,000 companies every year.
- AFD carries out similar work in French Overseas Collectivities in the Pacific through Sogefom, of which it is the majority shareholder, and in Mayotte as well as Saint-Pierre-et-Miquelon through two guarantee funds in its own name.
- AFD also manages the guarantee fund accounts for housing in French Overseas Departments (Oséo) as well as agriculture and fishing guarantee funds (on behalf of the French State) created in 2010.

✓ **Equity stakes**

- AFD participates in the financing of overseas SMEs through the Alyse venture capital facility (the Alyseventure venture capital mutual fund, and the AlyseParticipations fund of funds invested in three local venture capital companies in Réunion, West Indies and in French Guiana).

✓ **Management or representation mandates in the French Overseas Departments and Collectivities**

- AFD represents Crédit Foncier de France and Oséo in French Overseas Departments as well as, for certain activities, the Caisse des Dépôts in the French Pacific Collectivities and Saint-Pierre-et-Miquelon (in the investment business). Representation of Oséo is centred on (i) financing the public sector accounts and large corporate accounts in the form of Dailly disposals, (ii) mezzanine financial products to encourage business development and (iii) products to encourage innovation (subsidies and repayable advances).
- AFD also promotes housing development in the French Overseas Departments and Collectivities through stakes held on its own behalf or on behalf of the State in seven real estate companies.
- Lastly, it helps the economies of French Overseas Departments and Collectivities develop within their respective regions.

2.4.2.1 Activities in foreign countries

✓ Total volume of approvals, disbursements and outstandings

In 2012, AFD's approvals in foreign countries, through loans, subsidies, equity stakes and guarantees granted, reached a total of €4.463bn, including €4.044bn in loans, €311M in subsidies (project subsidies, NGO financing and general budget support) and €108M in the form of Ariz guarantees.

The change in AFD's activity over the past two years was allocated between the four types of financing as follows:

In millions of euros	2011	2012(1)	Difference 2012/2011	
			€M	%
LOANS(2)				
Approvals	4,275	4,044	-231	-5%
Disbursements	2,873	2,932	59	2%
Undisbursed balance at 31 December	10,084	10,198	115	1%
Outstandings at 31 December	10,896	13,047	2,150	20%
SUBSIDIES				
Approvals	271	311	40	15%
Disbursements	255	298	44	17%
Undisbursed balance at 31 December	925	935	10	1%
GUARANTEES				
Approvals	157	108	-49	-31%
Outstandings	283	282	-2	-1%
EQUITY STAKES				
Approvals	0	0	0	-
Disbursements	11	5	-6	-54%

1. The data in the management report are recalculated to account for third-party accounts, in line with financial statements. In addition, approvals in the comprehensive table on page 8 in the amount of €4.723bn in foreign countries fell by €260M: €11M for microfinance and €249M for mandate-specific operations, excluding GBS.
2. Information about loans does not include the status of AFD loans to PROPARCO.

At €4.463bn, total approvals in foreign countries in 2012 decreased by €240M, i.e., 5% compared to 2011. This change resulted from the €268M drop in ongoing operations.
Disbursements made in 2012 rose slightly versus 2011 (up €96M, i.e. 3%). This year they totalled €3.235bn versus €3.139bn in 2011.
Loan outstandings rose considerably on the previous year (up €2.150bn, i.e. 20%). This growth is mainly linked to the increase over the year in sovereign loan outstandings by €1.618bn.

✓ Breakdown of approvals and disbursements by type of financial assistance
The approvals and disbursements over the financial year, classed by type of assistance, are presented below:

	Approvals			Disbursements
In millions of euros	2011	2012	% of total in 2012	2012
1- ONGOING OPERATIONS	**4,673**	**4,406**	**99%**	**3,191**
LOANS	**4,275**	**4,044**	**91%**	**2,932**
Sovereign concessional loans	2,651	3,014	68%	1,992
of which loans with direct concessionality	1,533	1,733	39%	1,779
of which loans with indirect concessionality	1,119	1,281	29%	213
Non-sovereign loans	1,623	1,029	23%	940
of which concessional loans	451	159	6%	283
of which non-concessional loans	1,172	770	17%	657
of which sub-participations granted to PROPARCO	*217*	*164*	*4%*	*154*
ONGOING SUBSIDIES	**241**	**254**	**6%**	**254**
Project subsidies(1)	201	209	5%	220
Funding for NGOs	40	45	1%	34
GUARANTEES	**157**	**108**	**2%**	**-**
EQUITY STAKES	**0**	**0**	**0%**	**5**
2- MANDATE-SPECIFIC OPERATIONS	**30**	**58**	**1%**	**44**
General Budget Support (GBS) subsidies	30	58	1%	43
General Budget Support loans - bridge loans	0	0	0%	-
Mesofinance transactions	0	0	0%	1
Other	0	0	0%	-
TOTAL FOR FOREIGN COUNTRIES	**4,703**	**4,463**	**100%**	**3,235**

1. Subsidies not including microfinance.

Ongoing operations

Ongoing loan and subsidy operations decreased between 2011 and 2012, falling from €4.673bn in 2011 to €4.406bn in 2012.
The change in ongoing operations in 2012 is characterised by:
- a 5% decline in approvals in the form of loans (€4.044bn in 2012 versus €4.275bn in 2011) with a decrease in non-sovereign loans (€594M, i.e. 37%) and an increase in sovereign loans (€363M, i.e. +14%). In 2012, as in 2011, ongoing loan operations accounted for 91% of AFD's approvals in foreign countries;
- a 5% increase in approvals in the form of subsidies (€254M in 2012 versus €241M in 2011), including NGO financing. These approvals accounted for 6% of AFD's approvals in foreign countries, versus 5% in 2011. Operations in partnership with NGOs rose by 11%;
- a 31% decrease in the total volume of guarantee approvals (€108M in 2012 versus €157M in 2011), with the understanding that 2011 operations included sovereign guarantees for €59M. Ariz approvals have, for their part, increased by 10%. In 2012 Ariz guarantees were split between €73M in individual guarantees and €35M in portfolio guarantee agreements. Ongoing guarantee operations accounted for 2% of AFD's approvals in foreign countries. At the end of 2012, outstanding guarantees granted to foreign countries totalled €282M.

Mandate-specific operations

General Budget Support

These subsidies are intended to finance States' economic and financial recovery programmes. The French State lays out the principles while the terms and conditions are reviewed jointly by the Ministry of the Economy and Finance, the Ministry of Foreign Affairs and AFD. In 2012, GBS approvals stood at €57M versus €30M in 2011.

✓ Geographic breakdown of AFD approvals
2011 and 2012 approvals, presented by beneficiary country, break down as follows:

In millions of euros	General Budget Support		Loans, subsidies and equity stakes - ongoing operations		Guarantees granted		General	
Country	2011	2012	2011	2012	2011	2012	2011	2012
BENIN			10	0.3	1.4	1.7	11.4	2
BURKINA FASO		19.5	26.7	22	7.9	5.7	34.6	47.2
BURUNDI			1.2	5.2	1	0.3	2.2	5.6
CAMEROON			319.9	83.7	21.7	14.1	341.6	97.8
CAPE VERDE			22.2				22.2	0
COMOROS		3	4.2	15			4.2	18
CONGO			0.3				0.3	0
CÔTE D'IVOIRE			351.5	0.9	66.3	23.4	417.9	24.3
DJIBOUTI				6	4.3		4.3	6
ETHIOPIA			70.6			0.1	70.6	0.1
GABON					0.5	6.7	0.5	6.7
GHANA			212.3	106.8	1.2	2	213.4	108.8
GUINEA		5	10.7	9	3.1		13.8	14
GUINEA-BISSAU			0.1				0.1	0
KENYA			203.9	100	8.7	0.4	212.6	100.4
MADAGASCAR			20.5	14.6	7.2	11.6	27.6	26.2
MALI			51.7	0.6	4.1	1.6	55.8	2.2
MAURITIUS			87.5	82.6	2.2	0.2	89.7	82.8
MAURITANIA		6.4	49.1	47.8			49.1	54.2
MOZAMBIQUE			41.2	50			41.2	50
NAMIBIA						2	0	2
NIGER	10	10	27.1	42.7	1.8		38.8	52.7
NIGERIA				46.7			0	46.7
UGANDA			7.5	19.3	0.7	0.2	8.1	19.5
REPUBLIC OF SOUTH AFRICA			214	108.4			214	108.4
CENTRAL AFRICAN REPUBLIC		6	5.7	5.1			5.7	11.1
DEMOCRATIC REPUBLIC OF CONGO			14.5	0		2.4	14.5	2.4
RWANDA				0.3		0.1	0	0.5
SENEGAL			93.6	180.7	11	11.1	104.6	191.8
SEYCHELLES				10			0	10
SUDAN				1.4			0	1.4
TANZANIA			40.5	45.9	3.7	0.8	44.2	46.7
CHAD			6.4	9.4	2.6	6.6	8.9	16
TOGO	2		26.5	6.1	5.2	3.8	33.6	9.8
ZAMBIA				38			0	38
ZIMBABWE				0.8			0	0.8
MULTIPLE COUNTRIES			44.2	181.9		7.2	44.2	189.1
TOTAL FOR SUB-SAHARAN AFRICA	**12**	**49.9**	**1,963.6**	**1,241.1**	**154.3**	**102.2**	**2,129.9**	**1,393.2**

The table continues on page 17

In millions of euros

	General Budget Support		Loans, subsidies and equity stakes - ongoing operations		Guarantees granted		General	
Country	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
EGYPT			1	387			1	387
IRAQ			38.6	9.6			38.6	9.6
JORDAN			1.6	151			1.6	151
LEBANON			71.4	47.7			71.4	47.7
LIBYA				0.3			0	0.3
MOROCCO			503.2	380.4			503.2	380.4
PALESTINIAN AUTONOMOUS TERRITORIES			22.6	16.4	2.3	1.5	24.9	17.9
TUNISIA			185.6	51.9		2	185.6	53.9
TURKEY			185.4	120.5			185.4	120.5
MULTIPLE COUNTRIES			5	5.8			5	5.8
TOTAL MEDITERRANEAN/MIDDLE EAST	**0**	**0**	**1,014.3**	**1,170.7**	**2.3**	**3.5**	**1,016.6**	**1,174.1**
BRAZIL			10	721.4			10	721.4
COLOMBIA			352.2	149.9			352.2	149.9
DOMINICA			10	6.5			10	6.5
HAÏTI	18	8	2.5	7.5		2.5	20.5	18
MEXICO			385	60	0.1		385.1	60
PANAMA			7.3				7.3	0
DOMINICAN REPUBLIC			159.7	30.9	0.6		160.3	30.9
URUGUAY				15.7			0	15.7
TOTAL LATIN AMERICA AND CARIBBEAN	**18**	**8**	**926.7**	**991.9**	**0.7**	**2.5**	**945.4**	**1,002.4**
AFGHANISTAN			10.9	9.6			10.9	9.6
BANGLADESH				34.7		0.2	0	34.9
BURMA				1.9			0	1.9
CAMBODIA			8	67.7			8	67.7
CHINA			135	130.6			135	130.6
INDIA			190	248.9	0.2		190.2	248.9
INDONESIA			132.5	142.2			132.5	142.2
LAOS			2				2	0
PAKISTAN				61			0	61
PHILIPPINES				60			0	60
SRI LANKA				0.4			0	0.4
THAILAND			20				20	0
VIETNAM			101	104.6			101	104.6
MULTIPLE COUNTRIES				3.6			0	3.6
TOTAL ASIA PACIFIC	**0**	**0**	**599.4**	**865.4**	**0.2**	**0.2**	**599.6**	**865.6**
INTER STATES			11.9	28.2			11.9	28.2
TOTAL	**30**	**57.9**	**4,515.9**	**4,297.2**	**157.5**	**108.4**	**4,703.3**	**4,463.5**
GRAND TOTAL	**30**	**57.9**	**4,515.9**	**4,297.2**	**157.5**	**108.4**	**4,703.3**	**4,463.5**

In 2012, **Sub-Saharan Africa** remained the priority zone for AFD, as approvals for this zone represented 31% of total approvals. The region accounts for 86% of budget support, 29% of loans and subsidies and 94% of guarantees given by AFD. Total aid for Sub-Saharan Africa reached a volume of €1.39bn in 2012, falling by €737M compared to 2011.
Subsidies remain focused on the priority poor countries: 88% of total subsidies granted (including NGOs and budget support) in 2012 were in these countries. This is a growing trend, as this share was 84% in 2011[1].
In 2012, free-trade zone countries benefited from 10% of all ongoing loan and subsidy operations, versus 21% in 2011. This change is mainly due to the decline in approvals in Côte d'Ivoire and Cameroon.
Operations in the **Mediterranean and Middle East** zone, for their part, grew from €1.017bn in 2011 to €1.174bn in 2012. This 15% increase was primarily for Egypt and Jordan. This zone's share of AFD's loans accounted for 26% of total approvals in 2012, versus 22% in 2011.
Activity in the countries of the **Asia-Pacific** region grew, with approvals in this zone rising from €600M in 2011 to €866M in 2012, an increase of 44%. The change is essentially due to approvals over the year in Pakistan, the Philippines and India (countries with a "green and solidarity-based growth" mandate), and in Cambodia (Priority Solidarity Zone country). The Asia-Pacific region represented 19% of AFD's approvals in 2012 versus 13% in 2011.
Approvals in **Latin America and the Caribbean** also rose, as loans reached €1,002M in this region in 2012 versus €945M in 2011. This change is primarily related to increased activity in Brazil, which is, with €721M in approvals, the country that received the most AFD financing, in terms of volume, in 2012. This zone accounts for 22% of approvals in 2012 versus 20% in 2011.
Loan approvals in PSZ countries dropped from €2.722bn in 2011 to €1.502bn in 2012, while subsidy approvals fell from €203M in 2011 to €200M in 2012.
Countries for which AFD has a "green, solidarity-based growth mandate" received €1.609bn in loan approvals in 2012 versus €1.224bn in 2011.
Finally, aid in the form of loans and subsidies grew slightly in 2012 compared to 2011 for the least developed and low-income countries, with €783M in 2012 versus €747M in 2011. For middle-income countries (lower-middle and upper-middle), the trend decreased, with €3.352bn in 2012 versus €3.736bn in 2011.

2.4.2.2 Activities in the French Overseas Departments and Collectivities

Lending activity in the French Overseas Departments and Collectivities amounted to €970M in 2012, up 44% compared to 2011. Disbursements rose considerably on the previous year (up €474M, i.e. 108%). This growth is essentially tied to an increase in bank financing for which disbursement is carried out over a shorter period than for other kinds of counterparties.
Amounts remaining to be disbursed decreased slightly compared to 2011 (down €34M, or 4%).
AFD's outstandings in the French Overseas Departments and Collectivities in 2011 increased compared to the end of 2011 (€3.429bn in 2012, i.e. up 17%).

Total volume of loan activity approvals, disbursements, balances to be disbursed and outstandings in French Overseas Departments and Collectivities

In millions of euros	2011	2012	2012/2011 Difference	
			€M	%
APPROVALS	**671**	**970**	**299**	**45%**
French Overseas Departments and Collectivity of Saint-Pierre-et-Miquelon	360	558	197	55%
French Pacific Collectivities	311	413	102	33%
DISBURSEMENTS	**440**	**913**	**473**	**108%**
French Overseas Departments and Collectivity of Saint-Pierre-et-Miquelon	247	553	306	124%
French Pacific Collectivities	193	360	167	86%
UNDISBURSED AMOUNTS AT 31 DECEMBER	**779**	**744**	**-35**	**-5%**
French Overseas Departments and Collectivity of Saint-Pierre-et-Miquelon	427	416	-11	-3%
French Pacific Collectivities	352	327	-24	-7%
OUTSTANDINGS AT 31 DECEMBER	**2,930**	**3,429**	**500**	**17%**
French Overseas Departments and Collectivity of Saint-Pierre-et-Miquelon	1,748	2,060	312	18%
French Pacific Collectivities	1,181	1,369	188	16%

1. It should be noted that since 2011 AFD has improved the way it takes "multiple country" projects into account when calculating its operations and performance indicators. An allocation formula is applied to these projects when the countries are clearly identifiable.

Follow-up of approvals

The volume of AFD approvals in French Overseas Departments and Collectivities, excluding guarantees, totalled €970M in 2012. Most of the aid (57%, i.e. €558M) was granted in the French Overseas Departments and the collectivity of Saint-Pierre-et-Miquelon.

Concessional loans represented 37% of aid, totalling €358M in 2012 versus €337M in 2011. Non-concessional public-sector loans decreased by 74% (€69M in 2012 versus €267M in 2011). Banking sector financing rose sharply in 2012, with €460M in loans.

The total volume of guarantee approvals increased by 51% (€169M in 2012 versus €112M in 2011). 2012 activity includes €40M in guarantees granted to the public sector and €22M to the banking sector. Ongoing guarantee operations accounted for 15% of AFD's approvals in French Overseas Departments and Collectivities.

As part of its management and representation responsibilities in the French Overseas Collectivities, AFD manages a portfolio for Crédit Foncier de France, which totalled €31M at the end of 2012, compared to €40M at end-2011. As Oséo's representative, AFD granted €280M in 2012, compared to €277M in 2011.

Breakdown by region

	Approvals		2012/2011 Difference	
In millions of euros	2011	2012	€M	%
French Overseas Departments and Saint-Pierre-et-Miquelon	**360**	**558**	**197**	**55%**
Guadeloupe	64	128	64	100%
French Guiana	23	55	32	135%
Martinique	87	52	-36	-41%
Reunion	102	273	170	166%
Mayotte	78	40	-38	49%
Saint-Pierre-et-Miquelon	5	5	0	-4%
Multiple countries French Overseas Departments	0	5	5	-
French administrative districts of the Pacific	**311**	**413**	**102**	**33%**
New Caledonia	276	242	-34	-12%
French Polynesia	35	171	136	386%
TOTAL	**671**	**970**	**299**	**45%**

Loans and guarantees granted, and holdings on its own behalf

	Approvals		2012/2011 Difference	
In millions of euros	2011	2012	€M	%
Ongoing operations	**783**	**1,139**	**355**	**45%**
LOANS	**671**	**970**	**299**	**45%**
Public sector	605	427	-177	-29%
Concessional loans: loans to local authorities	337	358	20	6%
Non-concessional loans	267	69	-198	-74%
Private sector	67	543	477	717%
Direct funding	27	83	57	213%
Banks	40	460	420	1,050%
GUARANTEES[1]	**112**	**169**	**57**	**51%**
Guarantees granted to the public sector	0	40	40	-
Guarantees granted to the banking sector	0	22	22	-
French Overseas Department Fund	109	101	-8	-8%
Guarantee Fund for Mayotte and Saint-Pierre-et-Miquelon	3	6	3	103%
Stimulus plan for SMEs	0	0	0	-
EQUITY STAKES	**0**	**0**	**0**	**-**

1. The guarantees presented above do not include Sogefom approvals (€16M in 2012), described in Chapter 1.5 "Activities of the other subsidiaries".

2.4.2.3 Financing of operations

AFD's lending and subsidy activities are financed by different kinds of resources.
For activities carried out on its own behalf, AFD uses three main types of financing:

- ✓ Budgetary resources:
  - Funds for loans subsidies;
  - Subsidies from the State for donation-project and NGO activities.
- ✓ Loans from the French government (RCS): AFD takes out 30-year loans from the government, with a 10-year grace period at 0.25%.
- ✓ Market borrowings: its bond issues totalled €5.1276bn in 2012.
  AFD made nine bond issuances in the form of public issues on the euro market:
  - three "benchmark" euro-denominated issues, €1bn at a floating interest rate, maturing in three years (June 2015), €1.5bn maturing in 15 years (February 2027) and €1bn (maturing in March 2017);
  - five tap issues on existing euro-denominated bonds: €150M on bonds maturing in January 2024, €150M on bonds maturing in March 2017 and €200M on bonds maturing in January 2019, €100M on bonds maturing in March 2017 and €100M on bonds maturing in January 2019;
  - one "benchmark" issue, USD 1bn maturing in five years (October 2017) at a fixed interest rate.

  In addition, AFD carried out a private equity transaction for JPY 15bn, equivalent to €132M, maturing in 18 months.

2.4.3 OTHER ACTIVITIES

2.4.3.1 Intellectual output

AFD's intellectual output consists of research, training exercises and publications that fall under AFD's strategic and operating guidelines. It includes five types of operations that, to varying extents, allow AFD to disseminate the results of its research and studies, and thus spread its influence:

- ✓ forecasting/action research activities: produce new knowledge in order to re-evaluate AFD's operations, with an eye to deepening the discussion on development and strategies, particularly by predicting which major concerns will arise in the near future;
- ✓ public policy studies: studies on specific subjects aimed at developing or strengthening French positions in order to support regulators' positions;
- ✓ operational analyses: analysis of AFD's operations and/or their context in order to perfect them and improve the underlying operational strategies;
- ✓ training and capacity-building initiatives: organising seminars, training courses/programmes, and capacity-building and support missions aimed at enhancing local skills, particularly in terms of project management;
- ✓ institutional dialogue: meetings and conferences involving and for the benefit of all specialised stakeholders.

In 2012 activity stabilised after the sustained growth of recent years.

- ✓ Research and prospective studies were carried out on subjects related to the major challenges and current considerations i) Changes to aid and financing, ii) Environment, iii) Growth – Production – Social Cohesion and iv) Models for French Overseas Departments and Collectivities. Created in 2012, the Research and Studies Committee met three times. It facilitates the collective implementation of the Group's work and the pooling of requirements. Approximately 100 studies were funded in 2012.
- ✓ In addition to supervising localised project assessments, work centred on 12 evaluation studies, as well as portfolio reviews and scientific impact studies allowing us to learn from financed development projects and leverage AFD's experience. Eight studies were completed in 2012.
- ✓ Nine country-risk analyses were produced, in addition to the macroeconomic and financial monitoring reports for countries in which AFD operates, and an analysis of the international economic environment. AFD contributed to the meeting of finance ministers from the free-trade zone by producing an annual analysis of the position of member states.
- ✓ 2012 was a year of intense publishing activity, with more than 60 publications. This growth was focused primarily in the new collections (32 publications), created in 2010 (particularly "À Savoir" and "Focales"). This is due to increased research produced by the research department (programmes coming to a close), as well as by other AFD entities such as the Operations department, in addition to translation requirements.

<u>Cefeb: the AFD's corporate university</u>

Based in Marseille, the Centre for Financial, Economic and Banking Studies (Cefeb) aims to implement capacity-building initiatives, training programmes and seminars for three categories of partners who contribute to development projects implemented by AFD: group partners in both the global North and South, personnel at the AFD head office and in its network, for whom Cefeb is the sole centre for in-house training and integration. Its purpose is to transfer knowledge applicable to the various development professions on the leading edge of research, as well as operational techniques and practices AFD has tested.
In 2012, Cefeb held its sixth session of the Master degree programme in public and private project management, a diploma granted jointly with the Centre for Studies and Research on International Development at the University of Auvergne. It brought together 36 students from 19 countries. With nearly twenty partners, Cefeb also organised 53 seminars, internships and short- and medium-length workshops in France, Europe and AFD partner countries on the following subjects: public economics, local authorities, public-private partnerships and companies, sustainable development and CSR, banking and finance, training programme design and human resources.
In 2012, Cefeb trained more than 1,800 people from 74 countries and four French Overseas Collectivities.

2.4.3.2 Activities on behalf of third parties

AFD's bylaws provide for cases in which AFD acts on behalf of third parties. In accordance with Article R. 516-7 of the CMF, AFD manages the operations financed by the French State's budget on the State's behalf and at its risk. The terms of these operations are set out in agreements with the appropriate ministries.
These are either (i) framework agreements governing terms for AFD's implementation of a project category, or (ii) individual temporary agreements setting terms for the implementation of a specific project.

Examples of the first category:
- ✓ the framework agreements between AFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the MAE to AFD;
- ✓ the framework agreement–signed on 10 October 2008 with the French Ministry of the Interior, Overseas Departments and Collectivities and Immigration–to set up various solidarity-based development operations;
- ✓ the agreement of 23 December 2003 related to the implementation of bilateral aid in heavily-indebted poor countries (HIPC). Refinancing through donations, particularly in the form of debt reduction-development contracts (C2D) as part of the debt relief programme for HIPCs and the conversion of monetary debts.

The following may be cited as examples of the second category:
- ✓ the agreement of 28 September 2006 related to AFD's management of the Solidarity Fund for Development (FSD) financed by a tax on plane tickets;
- ✓ the agreement of 8 October 2008 related to a loan to the World Bank's "Clean Technology Fund";
- ✓ the agreements of 2 March 2011 and 26 April 2011 related to the implementation of a subsidy benefiting the Republic of Haiti in order to rebuild the State University Hospital of Haiti on one hand, and informal settlements in Port-au-Prince, on the other.

Moreover, according to Article R. 516-8 of the CMF, AFD is authorised to carry out activities on behalf of third parties such as the European Community and various international organisations or institutions and French Overseas Collectivities. To this end, it has been entrusted with managing loans delegated by the European Commission or other backers (the UK's DFID, the Monegasque Cooperation, etc.).
In accordance with international accounting regulations, these activities are excluded from the consolidated balance sheet. Compensation of AFD for this type of activity is decided on a case-by-case basis in the agreement and is only intended to cover AFD's costs.

2.5 PROPARCO'S ACTIVITIES

PROPARCO was created in 1977 as a venture capital firm with AFD as its sole shareholder. It was transformed into a financial company in 1990. Today, PROPARCO is a financial institution specialised in development, with share capital totalling €420M. AFD holds a 57% stake, while the remaining 43% is held by other private shareholders, including 26% by French financial organisations, 13% by international financial organisations, 3% by investors and 1% by funds and ethical foundations.
PROPARCO's purpose is to catalyse private investment in developing countries to stimulate growth, promote sustainable development and to reach the Millennium Development Goals (MDGs). PROPARCO finances economically viable, socially equitable, environmentally sustainable and financially profitable projects. Its sector-focused strategy, adapted to each country's level of development, is focused on the productive sectors, financial systems, infrastructure and private equity. Since 2009, PROPARCO's operating scope has extended to all developing countries (as defined by the OECD's Development Assistance Committee) and covers a geographic area extending from the large emerging countries to the poorest countries, especially in Africa, and must meet high Corporate Social Responsibility (CSR) requirements. PROPARCO offers a complete range of financial instruments to meet the specific needs of private investors in developing countries: loans, equity and guarantees.
PROPARCO's net approvals (excluding sub-participation loans on AFD's behalf), amounted to €788.3M in 2012 (versus €712.8M in 2011) and break down as follows:
- ✓ lending in the amount of €693.9M[1] (€593.2M in 2011);
- ✓ equity investments in the amount of €75M (€96.6M in 2011);
- ✓ investments in other securities (mainly convertible bonds) totalling €12.4M (€13.5M in 2011);
- ✓ guarantees granted in the amount of €7M (€9.5M in 2011).

1. PROPARCO loans in foreign countries and French Overseas Departments and Collectivities, excluding projects involving the funds of other backers (€81M) and excluding AFD sub-participations approved or under approval at 31 December 2012 (€164M in total).

Net approvals excluding other sub-participations on behalf of AFD and other third parties

In millions of euros	Loans		Equity		Other securities		Guarantees	
Country	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
BENIN		10						
CAPE VERDE	5							
CÔTE D'IVOIRE	8	76.3						7
GHANA	19.6	19	4	5.4				
MAURITANIA			2					
NIGERIA	6.7	30,5	0.2					
TOGO	20							
MULTIPLE COUNTRIES WEST AFRICA		49.8						
WEST AFRICA	**59.3**	**185.6**	**6.2**	**5.4**	**0**	**0**	**0**	**7**
CAMEROON	10						3	
GABON	15						6	
KENYA	34.5	28.9						
UGANDA	8.7							
DEMO. REP. OF THE CONGO		8	0.7					
RWANDA				3.8				
TANZANIA	3.6	11.5	3.4					
CENTRAL AND EAST AFRICA	**71.8**	**48.3**	**4.1**	**3.8**	**0**	**0**	**9**	**0**
SOUTH AFRICA	20.3	36.8		7.1				
NAMIBIA		4.8						
ZAMBIA	10.4	20.3					0.5	
SOUTHERN AFRICA	**30.7**	**61.9**	**0**	**7.1**	**0**	**0**	**0**	**0**
MULTIPLE COUNTRIES SUB-SAHARAN AFRICA		**58.1**	**31.1**	**1.5**				
MADAGASCAR			5					
MAURITIUS	30		1.7	4				
INDIAN OCEAN	**30**	**0**	**6.7**	**4**	**0**	**0**	**0**	**0**
EGYPT	10.5		0.4		3.5			
GEORGIA		15.6						
LEBANON		11.5						
MOROCCO	40							
TUNISIA				8.5				
TURKEY	56	31.3						
MULTIPLE COUNTRIES NORTH AFRICA & MEDITERRANEAN			26.5					
NORTH AFRICA & MEDITERRANEAN	**106.5**	**58.4**	**26.9**	**8.5**	**3.5**	**0**	**0**	**0**
BANGLADESH		22.5						
CAMBODIA	5.7	8						
CHINA	41.7		4					
INDIA	58.6	31.4	5.5	23	10	3.9		
INDONESIA	13.9	4						
SRI LANKA		24						
VIETNAM	18.4							
ASIA	**138.3**	**89.9**	**9.5**	**23**	**10**	**3.9**	**0**	**0**

The table continues on page 23

In millions of euros	Loans		Equity		Other securities		Guarantees	
Country	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
ARGENTINA	14.8	15.1						
BRAZIL	46.4	35		10				
COSTA RICA	5.2	7.8						
ECUADOR	7.6	16.2						
HONDURAS		16						
NICARAGUA		20.3						
PANAMA	17.5							
PERU	15.3	36.9						
DOMINICAN REPUBLIC		29						
URUGUAY		15.5						
MULTIPLE COUNTRIES LATIN AMERICA				6.9				
LATIN AMERICA, CARIBBEAN	**106.8**	**191.7**	**0**	**16.9**	**0**	**0**	**0**	**0**
REUNION						8.5		
FRENCH OVERSEAS COLLECTIVITIES	**0**	**0**	**0**	**0**	**0**	**8.5**	**0**	**0**
MULTIPLE COUNTRIES	49.8	-	12.1	5				
MULTIPLE COUNTRIES	**49.8**	**0**	**12.1**	**5**	**0**	**0**	**0**	**0**
TOTAL	**593.2**	**693.9**	**96,.**	**75**	**13.5**	**12.4**	**9.5**	**7**

Loan approvals (excluding multiple country loans) were distributed among thirty-one countries, particularly Côte d'Ivoire, Peru, South Africa, Brazil, India and Turkey. Sub-Saharan Africa remains the priority zone for PROPARCO, with 48% of its loan approvals in 2012. It was also a year of dynamic activity in Latin America and the Caribbean (28% of loan approvals).

Out of this lending activity, banking and financial institutions received 51% of total net approvals for the year. These mainly concerned refinancing of operations in sectors eligible to be classified as the global public goods of beneficiaries, micro-finance, growth strategy financing, long-term financing and capital reinforcement. Lending to industrial, commercial and service activities accounted for 20% of net direct loans granted to companies over 2012. Lastly, infrastructure and mining sectors represented 29% of loan approvals in 2012.

As for investment activity, 100% of approvals were for direct investments, particularly in industrial companies and banks.

2.6 ACTIVITIES OF THE OTHER SUBSIDIARIES

Fisea

The Investment and Support Fund for Businesses in Africa (Fisea) was created in April 2009. At 31 December 2012, its subscribed capital (€60M) was fully paid up. PROPARCO manages Fisea.

In 2012, Fisea's net approvals amounted to €11M. The sectorial breakdown of these approvals is as follows: Environment (46%), Infrastructure (50%), and Microfinance (4%). In terms of cumulative approvals since the establishment of the company, investment funds represented 75% of the volume and 56% of the number of applications; direct investment represented 25% of volume and 44% of the number of applications.

TR Propasia

TR Propasia is a wholly-owned PROPARCO structure in charge of investing in Asia through funds (70%) and directly (30%), in countries and in sectors where PROPARCO is active as a co-investor with TR Capital. The two funds are managed by the same management company. At 31 December 2012, three investments of USD 2M each have been authorised since the creation of TR Propasia; one in a Chinese company producing masts for wind farms and the other two in general funds in China and India.

Sogefom

The French Overseas Guarantee Fund Management Company (Sogefom) is a company that manages guarantee funds in the French Pacific Territories, providing partial guarantees for financing operations undertaken by credit institutions in this zone. In particular, its aim is to support craftspeople and very small, small and medium-size businesses (VSBs and SMEs) in various economic sectors.

AFD manages Sogefom within the framework of a regulated agreement.

In 2012[1], Sogefom granted 254 guarantees (compared with 249 in 2011), representing approvals totalling around €16M (compared with €14M in 2011). After Sogefom's activity declined sharply in 2011 (number of files approved down 38% and amount down 15% compared to 2010), its total originations rose by 12.2% in 2012 compared to 2011, particularly thanks to a significant recovery of approval activity in French Polynesia (amount up by 36.8%).

Nevertheless, despite this positive performance, total originations have fallen since the end of 2009: €16M in 2012 versus €26M in 2009, or a 38% decrease over the period. This level of originations no longer offsets the amortisation of existing outstandings. Gross outstandings for traditional guarantees (€57.5M at end-December 2012) actually decreased by 1.2% compared to end-2011 and 8.3% compared to end-2010.

1. 2012 amounts are provisional, given that 2012 financial statements will be approved by Sogefom's Board of Directors on 26 April 2013 and by the General Meeting on 30 May 2013.

At 31 December 2012, the total amount of the company's off-balance sheet commitments stood at €61.8M, compared with €63.6M at 31 December 2011.

Soderag

The Regional Development Company of the West Indies-French Guiana (Soderag) is a regional development company. In 1995, at the behest of regulators, AFD took control of the firm. The extent of its losses and poor prospects led to Soderag's liquidation in July 1998. AFD took over its liabilities and is serving as the company's receiver. Cash advances by AFD to this subsidiary amount to €106M and are fully written down in AFD's financial statements.

Banque Socredo

Banque Socredo is a full-service bank established in French Polynesia in 1959, which has 27 permanent offices and 18 interim offices. Its activities extend to every sector of the economy and more particularly several key segments such as the marine sector and tourism. It is also heavily involved in marine transport that serves distant archipelagos such as the Tuamotus, the Marquesas and the Australs, in air transport as a shareholder in the carriers Air Tahiti and Air Tahiti Nui, as well as the first-time home buyer sector.

For many years, Banque Socredo has been the top banking institution in French Polynesia, ahead of the Banque de Polynésie (Société Générale Group) and the Banque de Tahiti (BPCE Group), with 44.5% of the lending market and a 38.7% deposit market share at 31 December 2012. In addition to its banking activity, Banque Socredo has five major subsidiaries: OSB (Océanienne de services bancaires, specialised in e-banking), ODI (Océanienne d'industrie, specialised in cheque processing and electronic publishing) Ofina (Océanienne de financement, which sends and receives cash for American Express card holders in the French Pacific), the OSCD (Océanienne de conservation sécurisée de données, a secure data storage centre) and finally OCA (Océanienne de centre d'appel, a call centre). At 31 December 2012, Banque Socredo directly employed a workforce of 551 people and its subsidiaries had 155 employees.

Property companies

AFD Group operates in the social housing and urban development sectors in the French Overseas Departments and Collectivities:

- ✓ Through equity stakes in various semi-public companies, including seven property companies in the French Overseas Departments and Collectivities (Sociétés immobilières dans l'Outre-mer, or Sidom) that aim to build and manage social and intermediate rental housing, as well as implementing urban development operations. Collectively, the Sidoms own nearly 74,000 housing units and are the major operators in social housing in the French Overseas Departments and Collectivities;
- ✓ by granting direct loans to public and private operators in housing and development.

Two of the Sidoms are consolidated using the equity method:

- ✓ Société immobilière de Nouvelle-Calédonie (SIC), in which AFD holds a 49.99% stake, managed 9,695 housing units as at 31 December 2012 and delivered 480 housing units and 20 offices and commercial spaces in 2012;
- ✓ Société immobilière de la Martinique (Simar), in which AFD holds a 22.27% stake, managed 10,580 housing units as at 31 December 2012 and delivered 357 housing units in 2012.

2.7 INFORMATION ABOUT SUBSIDIARIES

The following information (company data provided according to French accounting standards) presents the key data for fully consolidated subsidiaries in AFD's financial statements.

PROPARCO (société de promotion et de participation pour la coopération économique)

Purpose: To promote development projects, acquire equity stakes and grant loans in the regions in which AFD is mandated to operate.
Legal form: Financial public limited company (société anonyme financière)
Head office: 151, rue Saint Honoré – 75001 Paris
Consolidated equity: €420,048,000
AFD's stake: 57.43%
Other shareholders: French credit institutions (25.52%), private investors (3.18%), international financial institutions (13.22%) as well as ethical foundations and funds (0.65%)
Balance sheet: €3.493bn
Total net equity: €584M
Equity stakes: €480.5M
Loan portfolio: €2.775bn
Net banking income: €90.7M

Sogefom (Société de gestion des fonds de garanties d'Outre-mer)

Purpose: To provide a partial guarantee for financing operations undertaken by credit institutions with operations in the French Pacific Territories that have subscribed to a portion of its capital
Legal form: Public limited company (société anonyme)
Head office: 5, rue Roland Barthes – 75012 Paris
Consolidated equity: €1,067,328
AFD's stake: 60.00% (of which 1.32% through Socredo)
Other shareholders: nine credit institutions (40%) including Banque de Nouvelle-Calédonie (7.51%), and Banque de Polynésie (7.51%)
Balance sheet: €42M
Total net equity: €16M
Loan portfolio: Not material
Net banking income: €2M

Soderag (Société de développement régional Antilles-Guyane)

Purpose: To grant loans and acquire equity stakes to promote development in the West Indies - French Guiana region
Legal form: Public limited company (société anonyme) in liquidation
Head office: Pointe-à-Pitre (Guadeloupe)
Consolidated equity: €5,576,859
AFD's stake: 100%
Other shareholders: none
Balance sheet: €9M
Total net equity: -€119M
Loan portfolio: Not material
Net banking income: €0.01M

1. Socredo also has three smaller subsidiaries: OCI (Océanienne de capital investissement, bringing together various interests owned by Socredo), Rame & and Puero (property subsidiaries).

Fisea (Fonds d'investissement et de soutien aux entreprises en Afrique)
Purpose: To promote the growth of African SMEs
Legal form: Simplified joint-stock company
Head office: 5, rue Roland Barthes – 75012 Paris
Consolidated equity: €60,000,000
AFD's stake: 100%
Other shareholders: PROPARCO holds one share in Fisea
Balance sheet: €48M
Total net equity: €33M
Loan portfolio: Not material
Equity stakes: €46.4M
Net income: -€6.6M

TR Propasia (Partenariat stratégique pour une plateforme d'investissement asiatique)
Purpose: To create a regional investment platform
Legal form: Public limited company (société anonyme)
Head office: Hong Kong
Consolidated equity: €7,075,013
AFD's stake: 57.43%
Other shareholders: Propasia is a wholly-owned subsidiary of PROPARCO
Balance sheet: €7M
Total net equity: €7M
Loan portfolio: Not material
Equity stakes: €1.1M
Net income: -€0.2M

2.8 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following analysis seeks to provide a broad economic overview of AFD Group's development by type of activity on the basis of consolidated accounting data.
A detailed description of changes in the accounts is provided in the notes to the consolidated financial statements.

2.8.1 CONSOLIDATED BALANCE SHEET

In millions of euros

Assets	2012	2011	Liabilities	2012	2011
(Net outstanding) loans	**18,827**	**15,714**	**Market borrowings**	**14,895**	**11,598**
Gross outstanding	**19,288**	**16,162**			
Individual writedowns	-305	-297			
Collective writedowns	-226	-211	Borrowings from the French Treasury	2,548	2,496
Interest accrued	70	61			
			Current accounts	13	5
Revaluation difference on interest rate hedged portfolio	61	63	Revaluation difference on interest rate hedged portfolio		
Financial assets at fair value through profit and loss	66	51	Financial liabilities at fair value through profit and loss	115	135
Hedging derivatives	1,318	1,038	Hedging derivatives	755	602
Financial assets held to maturity	917	785	Funds under management and advances from the State	555	529
			Accruals ond other liabilities	1,117	574
			Provisions	612	566
Investment portfolio	692	687	Shareholders' equity attributable to the Group	2,491	2,437
Short-term cash assets	1,173	566	of which Group income	95	65
Fixed assets	204	185	Minority interests	217	205
Accruals and other assets	59	57			
TOTAL	**23,318**	**19,147**	**TOTAL**	**23,318**	**19,147**

ASSETS

Net outstanding **AFD Group loans** reached €18.827bn[1] at 31 December 2012 (81% of the balance sheet), up €3.112bn or 20% compared with the previous year.
Gross outstandings stood at €19.288bn, up €3.126bn or 19% compared with 2011.

This rise in gross consolidated outstandings was due to:
- ✓ the significant increase in loans at the Group's risk in the foreign country zone (up €2.770bn);
- ✓ an increase in outstanding loans in the French Overseas Departments and Collectivities (up €491M);
- ✓ partially offset by the decline in loans at the French State's risk (down €146M).

1. See Note 4 to the consolidated financial statements.

Gross outstandings break down as follows

In millions of euros	2012		2011	
	Total		Total	
Loans at AFD Group's risk	**17,815.7**	**92%**	**14,544.1**	**90%**
of which Foreign Countries	14,125.3	73%	11,355.4	70%
Sovereign	7,543	39%	5,924.6	37%
Non-sovereign	6,582.3	34%	5,430.8	34%
of which French Overseas Collectivities	3,651.5	19%	3,160.4	20%
of which other loan outstandings	38.9	0%	28.3	0%
Loans at the State's risk	**1,471.9**	**8%**	**1,618**	**10%**
Loans guaranteed by the State	1,192.1	6%	1,282.8	8%
Loans granted by the State	279.8	1%	335.2	2%
TOTAL GROSS OUTSTANDINGS	**19,287.6**		**16,162.1**	

Outstanding loans at risk amounted to €17.816bn, of which €14.125bn for foreign countries and €3.651bn for the French Overseas Departments and Collectivities, are covered by asset writedowns and provisions for liabilities in the amount of €982M, providing a 6% coverage ratio (unchanged from 2011). Of these outstandings at risk, doubtful loans totalled €518M covered by writedowns and provisions totalling €353M (this amount includes €49M in shared sovereign provisions), making a coverage ratio of 68% (unchanged from 2011) based on 100% coverage of impaired sovereign outstandings.

In millions of euros	Outstandings	Writedowns and provisions
Foreign Countries		
Sovereign	7,543	522.7
Of which doubtful	*120.7*	*120.7*
Non-sovereign	6,582.3	451.5
Of which doubtful	*379.4*	*225.1*
French Overseas Departments and Collectivities		
Non-sovereign	3,651.5	7.4
Of which doubtful	*18.3*	*7.4*
Other outstanding loans	38.9	
TOTAL	**17,815.7**	**981.7**
Of which doubtful	*518.4*	*353.3*

Summary of outstandings and writedowns

The investment portfolio consists of medium and long-term investments. Its total value remained relatively stable at €692M in 2012 (€687M recorded in 2011).

Other assets rose to €3.799bn in 2012 versus €2.746bn in 2011 and represented 16% of total assets. They include the following items:

- €61M in interest rate-hedged portfolio revaluation differences;
- financial assets at fair value through profit or loss of €66M versus €51M in 2011;
- hedging derivatives of €1.318bn versus €1.038bn in 2011;
- financial assets held to maturity of €917M (€785M in 2011);
- short-term cash of €1.173bn[1] (€566M in 2011);
- fixed assets, accruals and other assets of €263M, an increase of €21M compared to 2011.

LIABILITIES

In 2012, AFD Group's **borrowings** totalled €17.443bn[2] and included:

- outstanding market borrowings of €14.895bn at 31 December 2012, compared with €11.598bn at the end of 2011;
- outstanding borrowings from the French Treasury amounted to €2.548bn versus €2.496bn in 2011. They include €258M in senior debt and €2.290bn in subordinated debt.

1. At 31 December 2012, short term cash includes investments in Treasury bonds (BTAN) for €77M, in money-market UCITS for €396M and in UCITS and convertible bonds for €239M. Other short-term cash assets total €461M.
2. Borrowings consist of the items "securitised debt payables" (€13.993bn), "subordinated debt" (€3.190bn), "borrowings from the French Treasury" (€258M), "due to banks" (€12M) and "customer loans" (€3M) less the "current accounts" (€13M).

The contribution of the Group's various companies to its consolidated net position excluding minority interests is as follows:

Net position in millions of euros	2012	2011	Change
AFD	2,362.9	2,325.3	37.6
PROPARCO	125.1	104.1	21
Socredo	88.3	86.4	1.9
SIC	55.6	52.2	3.4
Simar	13.5	11.7	1.8
Sogefom	4.7	4.6	0.1
Propasia	-3.2	-3.2	0
Fisea	-31	-19.6	-11.4
Soderag	-124.9	-124.9	0
GROUP TOTAL	**2,490.9**	**2,436.6**	**54.3**

Minority interests totalled €217M at 31 December 2012, compared with €205M at 31 December 2011.
Shareholders' equity[1] amounted to €4.666bn at 31 December 2012 versus €4.676bn at the end of 2011. Tier 1 capital totalled €2.802bn in 2012, while Tier 2 capital amounted to €1.875bn.
AFD paid €55,118K in dividends to the French government in 2012 versus €70,587K in 2011.

Other liabilities amounted to €3.166bn in 2012:
- ✓ funds under management and advances from the State of €555M versus €529M in 2011;
- ✓ provisions of €612M (€566M in 2011);
- ✓ financial liabilities at fair value through profit or loss of €115M versus €135M in 2011;
- ✓ hedging derivatives of €755M (€602M in 2011);
- ✓ current accounts and accruals and other liabilities of €1.130bn (€579M in 2011). Other liabilities include €4M in supplier debts. In accordance with Article L. 441-6 of the French Commercial Code, the supplier debt schedule at 31 December 2012 can be found below: €2.6M in arrears, €1.2M from 0 to 30 days and €0.2M from 31 to 60 days (at 31 December 2011: €0.1M in arrears, €1.1M from 0 to 30 days and €0.2M from 31 to 60 days).

1. Shareholders' equity is calculated in compliance with CRBF regulation 90-02.

2.8.2 CONSOLIDATED INCOME STATEMENT

In millions of euros

Expenses	2012	2011	Income	2012	2011
Financial expenses on borrowings	**999.5**	**752.3**	**Income from loans and guarantees**	**1,080.5**	**9,410**
- Financial expenses on borrowings	394.5	316.7	- Interest and commissions on loans and guarantees	582.2	481.3
- Expenses on swaps	541.5	433.8	- Income from swaps	536.1	430.2
- Net balance from foreign exchange transactions (loss)	63.5	1.7	- Net appropriations for sovereign funds	-42.1	-37.4
			- Net appropriations for deduction of assets in interests	-5.1	-1
			- Writeback of subsidies for budget support	9.4	11.9
			- Net balance from foreign exchange transactions (gain)	0	55.9
Various financial expenses	**12.1**	**8.8**	**Subsidies**	**179.5**	**177.9**
			Commissions	**40.3**	**40.5**
			Net gains on financial instruments at fair value through profit and loss	**47.1**	**-75**
			Net gains on available-for-sale financial assets	**12.7**	**18.6**
			Investment income	**56.3**	**42.9**
			Ancillary income and miscellaneous	**20.1**	**5.6**
Total Expenses	**1,011.6**	**761.1**	**Total income**	**1,436.5**	**1,151.4**
NET BANKING INCOME	**424.8**	**390.3**			
Overhead	**263.9**	**254.9**			
- Staff costs	170.3	166.4			
- Taxes and other general expenses	93.6	88.4			
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	**14.1**	**13.1**			
Total non-banking operating expenses	**278**	**268**			
GROSS OPERATING INCOME	**146.8**	**122.3**			
Cost of risk	**-22.3**	**-40.4**			
- Collective writedowns of non-sovereign outstandings	-14.9	-40.3			
- Net provisions for doubtful non-sovereign outstandings	-5.3	0.6			
- Other provisions for risk and expenses	-2.1	-0.7			
OPERATING INCOME	**124.5**	**81.9**			
Share of earnings from companies accounted for by the equity method	4.5	3.3			
Net gains or losses on other assets	0.1	-1.7			
Pre-tax income	**129.1**	**83.5**			
Corporate tax	-17.1	-8.8			
Net income	**112**	**74.7**			
Minority interests	-17.3	-9.3			
NET INCOME, GROUP SHARE	**94.7**	**65.3**			

The main intermediate balances changed as follows between 2011 and 2012:

In millions of euros	2012	2011	Change
Net banking income	**424.8**	**390.3**	**34.5**
Gross operating income	146.8	122.3	24.5
Cost of risk	-22.3	-40.4	18.2
Operating income	**124.5**	**81.9**	42.6
Net income	**112**	**74.7**	37.3
Minority interests	-17.3	-9.3	-8
CONSOLIDATED NET INCOME	**94.7**	**65.3**	**29.4**

AFD Group's consolidated income for 2012 stood at €94.7M, rising by €29.4M compared with 2011.

NET BANKING INCOME

The contribution of the Group's various companies to its net banking income (NBI) is as follows:

In millions of euros	2012	2011	Change
AFD	329.2	320.5	8.7
PROPARCO	100.1	72.4	27.7
Fisea	-6.4	-7.8	1.5
Soderag	0	3.5	-3.4
Sogefom	2	1.9	0.1
Propasia	-0.1	-0.1	0
GROUP TOTAL	**424.8**	**390.3**	**34.5**

Net banking income reached €424.8M in 2012, rising by €34.5M compared with 2011 due to the aggregate effect of the items listed below:

In millions of euros	2012	2011	Change
Balance of loans/borrowings	**329.2**	**313.4**	**15.6**
Investment income	56.3	42.9	13.4
Net interest provisions	-5.1	-1	-4.1
Commissions	40.3	40.5	-0.3
Result on instruments at fair value net of the impact of exchange rates	-7.7	-19.1	11.4
Other financial income and expenses	12	13.6	-1.6
NET BANKING INCOME	**424.8**	**390.3**	**34.5**

The change in net banking income was mainly due to:

- ✓ an increase in the balance of loans/borrowings net of subsidies: +€15.6M;
- ✓ a rise in income from investments: +€13.4M;
- ✓ the negative impact of the increase in provisions for sovereign and non-sovereign interest (€4.1M). It should be noted that the 2011 financial statements were impacted by the €4.1M reversal of provisions for DR Congo following a Club de Paris debt restructuring;
- ✓ the reduced negative impact of financial instruments at fair value through profit or loss, net of the currency effect: +€11.4M;
- ✓ the decrease in other financial income and expenses: -€1.6M.

GROSS OPERATING INCOME

Gross operating income in 2012 amounted to €146.8M compared with €122.3M in 2011. This €24.5M increase results from NBI growth (+€34.5M) and the negative impact of increased non-banking operating expenses (-€10.1M).

The contribution of the Group's companies to its gross operating income is as follows:

In millions of euros	2012	2011	Change
AFD	**86.3**	**83.4**	**2.8**
PROPARCO	66.3	42.8	23.6
Fisea	-6.4	-7.9	1.5
Propasia	-0.2	-0.1	0
Soderag	0	3.4	-3.4
Sogefom	0.8	0.7	0
TOTAL	**146.8**	**122.3**	**24.5**

OPERATING INCOME

Operating income stood at €124.5M, up €42.6M compared with 2011. The cost of risk represented an expense of €22.3M versus €40.4M in 2011:

In millions of euros	2012	2011	Change
Collective writedowns of non-sovereign outstandings	-14.9	-40.3	25.5
Net provisions for impaired non-sovereign outstandings	-5.3	0.6	-5.9
Other provisions for risk and expenses	-2.1	-0.7	-1.4
TOTAL COST OF RISK	**-22.3**	**-40.4**	**18.2**

The change in the **cost of risk** is primarily due to the decrease of collective provision allocations for 2012, partly owing to the overall improvement in the quality of risks affecting the outstanding loan portfolio, and better accounting of possible shareholder support in the event that the borrower encounters difficulties.

ORDINARY INCOME BEFORE TAX

Ordinary income before tax totalled €129.1M versus €83.5M in 2011:

- ✓ the share of earnings from equity-accounted companies (€4.5M) was higher than in 2011 (€3.3M);
- ✓ gains from other assets stood at €0.1M versus losses of €1.7M in 2011.

NET INCOME

After factoring in **corporate tax** (€17.1M) and the stakes of minority shareholders in PROPARCO, Propasia and Sogefom (€17.3M), **net profit** in 2012 totalled €94.7M.

The contribution of the Group's companies to its consolidated income is outlined below:

	2012		
In millions of euros	Group share	Minority interests	Total
AFD	**73.3**		**73.3**
Fully consolidated companies	**34.3**	**-17.3**	**17**
PROPARCO	40.7	-17.3	23.4
Sogefom	0.1	0	0
Soderag	0		0
Propasia	-0.2	0.1	-0.1
Fisea	-6.4		-6.4
Equity-accounted companies	**4.5**		**4.5**
Socredo	1.9		1.9
SIC	0.7		0.7
Simar	1.8		1.8
GROUP TOTAL	**112**	**-17.3**	**94.7**

2.9 RISK FACTORS

The information below is taken from AFD's "Risk Calculation and Monitoring Report" prepared according to the recommendations of the French Prudential Supervisory Authority (ACP).

Two years after the Arab Spring began (December 2010 in Tunisia), the Mediterranean region remained the focus of attention due to its risk zones – Tunisia, Egypt, Syria and Lebanon. The situation in Mali was also supervised closely. In the Mediterranean basin, additional provisions booked in the previous year were reduced as the amount of provisions required for any further downgrades in the region appeared sufficient at 31 December 2012.

Collective provisioning of Ariz activity was adjusted to match developments in the situation in Côte d'Ivoire.

Despite tensions on the financial markets that have affected AFD's refinancing terms, it has been able to meet the growing need for liquidity to develop its loan activity. Despite the international situation, there have not been an unusual number of missed payments on AFD receivables.

2.9.1 INTERNAL CONTROL AND RISK MONITORING

AFD Group's internal control measures are designed to offer a reasonable assurance that the following three objectives are being met:

- ✓completion and optimisation of operations;
- ✓provision of reliable financial data;
- ✓compliance with laws and regulations.

In accordance with CRBF Regulation 97-02, AFD Group distinguishes between the following two functions:

Permanent controls

This cross-business function is provided by the Executive Risk Department (DXR). The head of this department is in charge of the "Risk" function (Article 11-8) as declared to the ACP. It ensures the implementation of the risk assessment, monitoring and management systems within the entities under his responsibility.

The Permanent Control and Compliance Department (CPC), which falls under the authority of the DXR, is tasked with monitoring the consistency, efficiency, comprehensiveness and compliance of the Group's permanent control and compliance systems and the due diligence related to monitoring all kinds of risks: credit, market, overall interest-rate, liquidity and settlement risks, as well as strategic and reputational risks.

These risks are assessed by the heads of department who, under CPC's supervision, identify the measures to be taken to manage them. CPC relies on continuously updated risk maps to obtain a consistent, global view of risk. This mapping process is the central risk management tool. At the same time, a system for declaring operational incidents has been implemented. The system is used to determine corrective measures aimed at preventing their repetition and to monitor their implementation.

Risks specific to PROPARCO undergo separate mapping.

Periodic controls

Given the rules governing the independence of the services that it provides, the General Inspection Department (IGE) reports to AFD's Chief Executive Officer. Its duties include managing periodic controls of: operations compliance, the level of risk effectively incurred, compliance with procedures and the effectiveness and appropriateness of the permanent control systems established by AFD.

These two functions (permanent control and periodic control) report to:

The Internal Control Committee

The Internal Control Committee is the body through which the head of Periodic Control and the head of Permanent Control and Compliance report on the fulfilment of their roles to the executive body, as stipulated in Article 4 of CRBF Regulation 97 02.

The Audit Committee

The Group Audit Committee falls under the Board of Directors' responsibility and performs the following controls: checking that financial information is clear and assessing the appropriateness of the accounting methods; assessing the quality of internal control; issuing opinions about the reports produced under Articles 42 and 43 of CRBF regulation 97-02.

Financial risks (liquidity, overall interest rate, foreign exchange and counterparty risks for financial instruments) are managed firstly by the Finance and Accounting Department (DFC) and are monitored by the Group Risk Management Department (DRG).

Credit risks are monitored by the operational departments, the Group Risk Management Department and the Risk Committee, which meets quarterly.

Credit risk exposure

At the Group level, it is worth noting the very strong growth of risk on loans (outstandings and undisbursed commitments) and in foreign countries, €4.4bn in 2012, bringing risk to nearly €21.1bn of which €12bn is sovereign debt and €9.1bn is non-sovereign. Nearly two thirds are concentrated in Sub-Saharan Africa and the Mediterranean, with the rest in Asia and Latin America. In the French Overseas Departments and Collectivities, Group risk is at €4.2bn (up €610M), of which 55% is in the Overseas Departments and 45% in New Caledonia and Polynesia. On the sectorial level, exposure to credit institutions remains predominant (38%).

Quality of risk according to country risk remains constant, with 60% of risks in foreign countries in the safest classes.

As for sound non-sovereign risks, the safest risks, with ratings no lower than BBB- (lower medium grade rating), make up almost 50% of the Group's loan portfolio. The percentage of risks with impaired ratings has fallen to 4.5%.

2.9.2 MAJOR RISK RATIO

At 31 December 2012, AFD Group was in compliance with the major individual risk ratio set out by banking regulations, i.e., a maximum of 25% of risk-based consolidated capital.

2.9.3 BASEL II RATIOS

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk, which is below the threshold set by CRBF Regulation 95-02 on capital adequacy with regard to the market.

AFD meets minimum capital requirements with a capital adequacy ratio of 19.03% at 31 December 2012 (23.97% at 31 December 2011).

2.9.4 OVERALL INTEREST RATE, FOREIGN EXCHANGE, LIQUIDITY AND MARKET RISKS[1]

Interest rate environment

Late 2011 and early 2012 were marked by turmoil in fixed-income financial markets. The difficulties encountered in the eurozone profoundly affected the terms under which France could access market liquidity. The spread between the State's borrowing rate and the Euribor six-month rate was extremely volatile and reached historic highs. The widening of this spread affected all French public-sector issuers until mid-summer. Relief first came from the massive liquidity injection carried out by the European Central Bank (ECB) via LTROs (Long-Term Refinancing Operations, which provided bank financing with a three-year maturity at 1%), then from a reduction of the ECB refinancing rate from 1% to 0.75% in early summer.

At the same time, the weak growth posted in Europe and the absence of prospects for recovery in the short term, exacerbated by austerity programmes implemented in most European countries, led to a perceptible decline in expected growth and inflation. This pessimistic view of the eurozone's prospects was reflected in the fixed-income market by an even greater decrease in long-term rates in 2012 against a backdrop of high volatility. The 10-year fixed rate equal to the Euribor six-month rate effectively fell from 2.44% at 1 January to 1.65% in May. It then fluctuated between 1.65% to 2% until November (with the range decreasing as autumn began). At 31 December, the 10-year rate was 1.56%.

Foreign exchange

The euro ended the year slightly up against the dollar at USD 1.32, after spending most of the year between USD 1.27 and USD 1.33. Nevertheless, during the Greek political crisis in the second quarter, the euro fell as low as USD 1.20. When the ECB put forward the idea of more aggressive quantitative easing in July, the euro recovered due to the unwinding of short positions in speculative accounts, which reached a record level. The announcement of the ECB's plan to purchase assets to support peripheral-country debt strengthened the euro's recovery against the dollar, with the exchange rate stabilising at the end of the year. Similarly, the establishment of the banking union as well as the implementation of various cost-cutting measures to correct budget deficits reassured markets about the euro's viability.

Comprehensive risk management within AFD Group

Asset and liability management covers the management of liquidity, interest-rate and foreign-exchange risks as well as counterparty risk management for financial activities. AFD is responsible for financing the operations of its main subsidiaries and holds most of the Group's ALM risks on its balance sheet.

The key components of AFD's financial and ALM strategy are submitted to the Board of Directors every year for approval. These components include:

- ✓ limiting exposure to liquidity risk;
- ✓ ensuring sustainable and steady interest revenue streams for AFD;
- ✓ limiting exchange rate exposure to the minimum necessary for temporary operational needs;
- ✓ limiting counterparty risk exposure from financial activities by working only with top-flight signatures for market and investment operations.

Limits and management criteria are set based on guidance from AFD's Board of Directors. The Board adopted updated limits and management rules in 2012: a ceiling for issuing deposit certificates, format of collateral agreements, foreign exchange limit and management rule for the investment portfolio.

2.9.5 OTHER OPERATIONAL RISKS

2.9.5.1 Settlement risks

AFD has introduced a number of measures to improve the organisation and control of settlements such as:

- ✓ all payments prepared by the cash transactions unit of the Financing and Market Operations Division are subject to second-level verification before approval by a manager;
- ✓ beyond a €76,225 threshold, payments must be approved by a second person;
- ✓ settlement requests for projects are approved by the Back Office Division, which verifies the availability of loans in terms of the amount and the closing date;
- ✓ settlement requests from local offices arrive through the intranet, accompanied by an authentication key for which the calculation algorithm was revised in 2007 to increase security.

In terms of anti-money laundering measures, AFD uses market-based software that provides an automated system to cross-check payment records against a list of persons and entities that require extra vigilance.

2.9.5.2 Legal risks

The Legal department is responsible for managing the Group's legal risks. It covers all legal areas (except for Human Resources).

The department provides legal support:

- ✓ in financing operations at all stages of the project cycle, including restructuring projects and disputes;
- ✓ in cross-business matters (Group risk prevention, host-country agreements, relationships with other donors, guarantee funds, partnerships, relationships with subsidiaries and companies in which AFD holds shares, and legal intellectual output);
- ✓ by offering a second opinion;
- ✓ in institutional matters (bylaws, governance, relationships with the government, agreements for various services) to support the Corporate Secretariat;
- ✓ in criminal matters, on all subjects where the AFD Group or its directors may be held liable;
- ✓ by providing consulting services for all AFD entities.

There are no governmental, legal or arbitration proceedings, including any proceedings of which AFD is aware, whether suspended or pending, that could have or have had a material effect on the financial situation or the profitability of the company and/or the Group over the last 12 months.

1. These risks are analysed in detail in the Risk Calculation and Monitoring Report for the 2012 fiscal year.

2.9.5.3 Compliance risks

The Compliance function ensures the Group complies with provisions (i) both internal and external that relate to preventing money laundering and terrorist financing (AML/CTF), (ii) that relate to the fight against corruption and fraud, (iii) that govern the performance of banking and financing activities (including conflicts of interest) or (iv) that ensure the protection of clients' personal data and private lives.

To supplement its risk monitoring and management system, AFD decided to clarify and strengthen its policy in terms of financial security, particularly with regard to preventing and combating money laundering and terrorist financing (AML/CFT). To this end, a report on the progress of the overhaul of the internal AML/CFT risk prevention system was presented to the Board of Directors at its 8 November 2012 meeting.

Compliance risks undergo due diligence for each new financing project, followed by a systematic, second-level control by the Permanent Control and Compliance Department (CPC). The head of the Permanent Control and Compliance Department reviews the compliance reports that are submitted at various stages of the project appraisal process.

The new procedure also specifies the frequency with which due diligence must be carried out by operating departments (ongoing supervision) depending on the risks posed by the counterparty.

2.9.5.4 Insurance - Coverage of risks run by AFD

AFD has a "civil liability policy" that also covers PROPARCO, a "management civil liability" policy, an "employee relations" policy, an "office multi-risk and comprehensive IT risk" policy and a "political risk" policy.

All of the offices within the network are covered by local insurance policies, except for the Kabul office, for which the Group could not find a local insurer.

These policies are accompanied by vehicle insurance covering head office and the network.

2.9.5.5 IT-related risks

The Information Technology, Property Management and Logistics Department (DMI) combines all aspects of security within a dedicated unit. The unit monitors information systems security issues, business-continuity plan activities and physical security measures in mainland France, as well as security for local offices in the AFD Group's network, while implementing ongoing security controls.

The information system security policy (PSSI), which is ISO 27002-compatible, was validated in September 2010. It defines the 90 security rules needed to protect AFD's information systems.

While overhauling operational security systems, the security unit is also implementing an information security management system in compliance with ISO 27001. This system has been in place since September 2012. A full review of the information system security risk map was completed through this system, which is regularly monitored. This ISS risk map is fully reviewed each year. The risks considered most important are updated after each ISS control, depending on the frequency chosen.

2.9.5.6 Tax risk

Tax risk is monitored by AFD's Finance and Accounting Department. An audit of PROPARCO for its 2008, 2009 and 2010 fiscal years was finished in 2012. It did not reveal any particular shortcomings.

2.9.5.7 Other operational risks

Other operational risks include those covered by Article 4-j of CRBF Regulation 97-02.

They correspond to risks resulting from inadequacy or failure due to internal systems, staff or procedures, or to external events, including low-probability, high-impact events. Operational risks include the risk of internal and external fraud.

They are identified and assessed by department heads in a map of all risks related to banking and non-banking activities, under the management of the Permanent Control department.

2.10 CORPORATE SOCIAL RESPONSIBILITY

AFD seeks to promote fair and sustainable development in developing countries and the French Overseas Collectivities. This means that it strives to take the various aspects of sustainable development into better consideration in its operations.

In December 2003, AFD endorsed the Global Compact principles and has been implementing them as far as possible in managing its commitments.

Furthermore, since 2005 AFD has been developing and implementing a corporate social responsibility (CSR) policy covering both its internal operations and funding activities, notably as part of a specific internal programme.

CSR reporting methods within AFD Group

CSR steering and strategy

In 2012, the CSR unit worked to identify, in conjunction with the various departments involved, the specific resources and indicators used to assess AFD's corporate social responsibility. As a result, a concrete action strategy for 2013-2016 will be presented to the Board of Directors.

CSR stakeholders within AFD Group

In partnership with the CSR unit, human resources, purchasing, external relations and the Internal Environmental Responsibility (REI) officer contribute to making CSR an integral part of AFD's day-to-day operations.

Selected indicators

In accordance with Act 2010-788 covering French environmental commitment and Decree 2012-557 of 24 April 2012 concerning transparency requirements for companies regarding corporate social and environmental responsibility, the following sections present a complete list of CSR indicators required by regulations. Pending an order that will specify the methods to be used by an independent entity when inspecting regulatory data, AFD has a certificate confirming the completeness of information published for 2012.

More detailed information may be found in the CSR section of the AFD website: **www.afd.fr**

Indicator scope and reporting

Scopes vary depending on each corporate, social or environmental indicator, according to need and the relevance of available information. The reporting scope will be specified for each indicator.

It is important to note that the indicators concern only CSR integration into AFD's operations. There are no CSR indicators for operations carried out by AFD.

Data consolidation

CSR indicators are produced by AFD's various departments according to their areas of expertise and are collected for the management and CSR reports. The CSR unit verifies the information released on indicators and ensures that it is consistent.

2.10.1 EMPLOYEE INFORMATION

Scope of indicators for employee information

***Group*: all employees at the head offices and local offices of AFD, PROPARCO and the French Overseas reserve banks, including local foreign office staff.**

***France*: all employees under French law at the head offices and local offices of AFD, PROPARCO and the French Overseas reserve banks, excluding local foreign office staff.**

French Overseas reserve banks (Iedom and IEOM) perform the function of a central bank under the authority of the Banque de France in French Overseas Departments and French Pacific Collectivities (DOM-TOM and French Pacific Collectivities), a function that differs from AFD's activity. However, all of their employees belong to the AFD/Overseas reserve bank Economic and Social Union (UES).

Total headcount managed by the Group at 31 December 2012

Employees	2011	2012
Mainland France[1]	955	1,005
Foreign and representation offices in the countries of operation	151	148
Technical assistance	6	5
Temporary assignments	22	21
GROUP HEAD OFFICE STAFF[1]	1,134	1,179
French Overseas Collectivities	108	110
Foreign countries[2]	439	453
GROUP STAFF RECRUITED LOCALLY[2]	547	563
AFD GROUP TOTAL	1,681	1,742
Overseas reserve bank head office staff[1]	**105**	**102**
Overseas reserve bank staff recruited locally	**262**	**260**
OVERSEAS RESERVE BANK TOTAL	367	362
Total staff managed by the Group	**2,048**	**2,104**
AFD Group VI/VCAT	**75**	**85**
Overseas reserve bank VI/VCAT	**3**	**7**
INTERNATIONAL VOLUNTEER (VI/VCAT) TOTAL	**78**	**92**

1. Excluding apprenticeships and professionalisation contracts.
2. Since 2007, these figures have included employees recruited locally according to the provisions of the labour regulations in each country, along with staff equivalent to employees, in other words, service providers in various foreign countries.

2.10.1.1 Employment

2.10.1.1.1 Total headcount and employee breakdown by gender, age and region

At present, AFD has 2,104 employees worldwide, representing an increase of 56 compared with 2011 (up 3%).

i.e. 1,281 head office employees recruited in Paris (42 more than in 2011):

✓ 1,179 AFD Group head office employees;

✓ 102 head office employees seconded to French Overseas reserve banks.

And 823 employees recruited locally (14 more than in 2011):

✓ 563 AFD Group employees recruited locally;

✓ 260 French Overseas reserve bank employees recruited locally.

AFD has begun to strengthen its local skills base, particularly by recruiting highly qualified managers in its local offices.

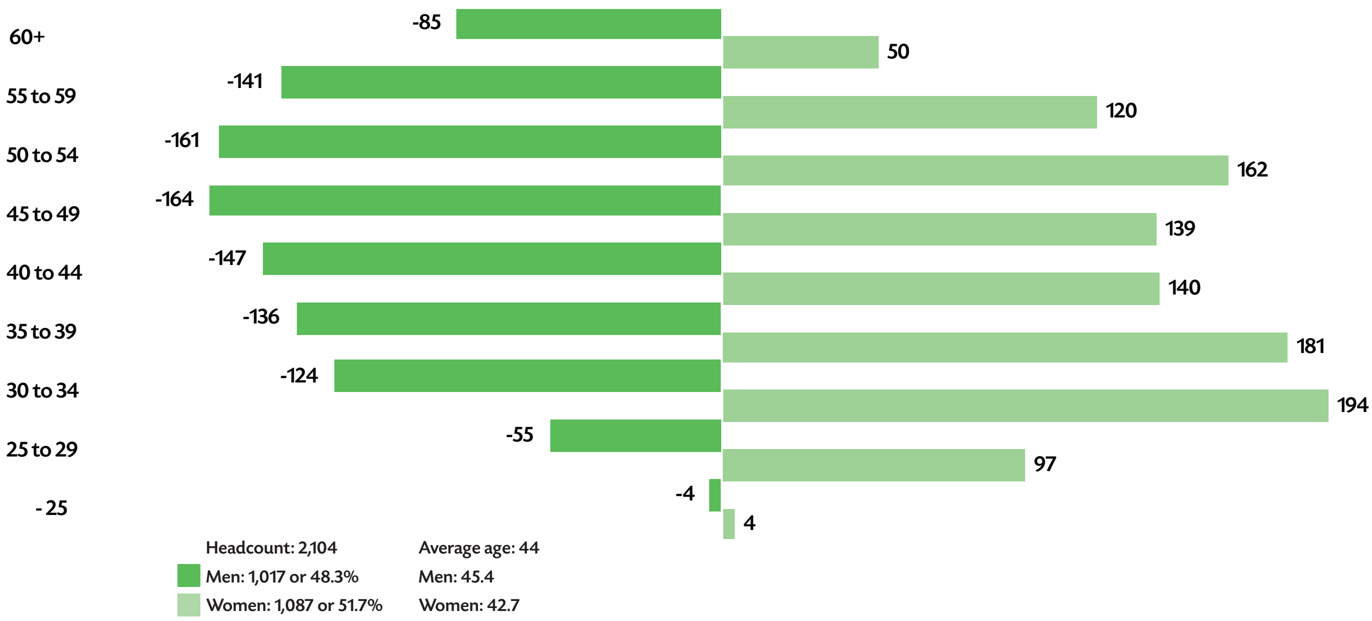
..........Group

At the end of 2012, 51.7% of employees managed by AFD Group are women. Their average age is 42 versus 45.4 for men.

..........Group

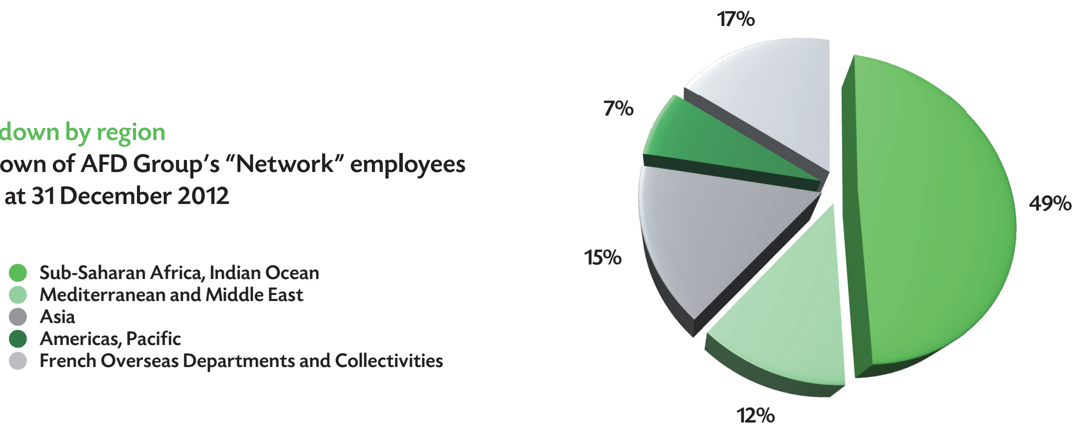
Employee breakdown by gender and age

Total staff managed by the Group in 2012, broken down according to gender and age (at 31 December 2012)



Employee breakdown by region

Regional breakdown of AFD Group's "Network" employees (outside France) at 31 December 2012



	Head office expatriate staff	Staff recruited locally	VI/VCAT	Total AFD Group Network Workforce	
Sub-Saharan Africa, Indian Ocean	65	276	46	387	49%
Mediterranean and Middle East	24	62	9	95	12%
Asia	26	82	14	122	15%
Americas, Pacific	12	33	10	55	7%
French Overseas Departments and Collectivities	21	110	5	136	17%
TOTAL	**148**	**563**	**84**	**795**	**100%**

Excluding French Overseas reserve banks, technical assistance and temporary assignments.

2.10.1.1.2 New hires and dismissals

CDI recruitment outside the Group: the profiles that are primarily sought remain closely associated with our core activities of technical and financial engineering, intellectual production (economics and the political sciences) and sector-based expertise (healthcare and education), as well as recurring support and management operations such as risk analysis, internal auditing, project management, management control, back office, etc.

In 2012, the total number of new hires worldwide stood at 175 new employees (102 head office employees and 73 employed locally).
.......Group

CDI employee departures from the Group: in 2012, the total number of permanent departures worldwide totalled 118 (50 head office employees and 68 employed locally).
.......Group

Reasons for departure in 2012	Total departures	Turnover rate
Retirement	38	1.8%
Voluntary redundancy	3	0.1%
Resignation	26	1.2%
End of civil servant secondment	5	0.2%
End of definite-term contract	26	1.2%
End of trial period	10	0.5%
Dismissal	7	0.3%
Death	3	0.1%
TOTAL	**118**	**5.6%**

The percentage of employees on indefinite-term contracts who left the Group remained low. These turnover rates reflect the employee retention policy.
Dismissals: in 2012, seven employees were dismissed (four head office employees due to medical unfitness, and three employees hired locally in a foreign country).
.......Group

2.10.1.1.3 Compensation and related changes

All of AFD Group's entities met their obligations regarding the payment of social security charges on the salaries and benefits granted to their employees (head office employees and employees hired locally in offices worldwide).
.......Group

Compensation for employees managed by AFD Group

Indicators (€K)	2011	2012
Average gross annual salary	64.9	65.3
Payroll	109,477	113,515
Social security expenses and taxes	48,990	52,175

AFD ensures that the level of compensation of its employees is competitive and rewarding, both at the head office and in its various offices around the world. Pay practices in force for each market are analysed regularly based on shared principles while also adapting the analysis to different country contexts.
In addition, all employees have an Employee Savings Plan (profit-sharing and Company Savings Plan) that redistributes the profits of AFD's economic performance.
The overall compensation of AFD employees also includes a social protection component (health fees, insurance, disability and retirement). AFD's insurance fund is subscribed in the form of a Group insurance plan, all contributions to which are made by AFD. It covers not only employees and their dependants, but also retirees and their dependants. AFD's total social protection plan (health fees, insurance and retirement) also covers locally hired employees in foreign countries.
As a result, in 2012 all employees hired in France and locally in foreign offices are covered by social protection mechanisms. These supplement existing systems, where applicable.
.......Group

2.10.1.2 Scheduling of working hours

2.10.1.2.1 Scheduling of working hours

Scheduling of working hours depends on the regulations applicable in each country where AFD Group operates. As a result, arrangements vary widely with regard to the number of working hours, their flexibility and scheduling.
In AFD offices abroad, hiring employees locally translates into an improvement in the number of working hours in view of those provided for by the laws of the country in question (an average of 37.5 hours per week).
For head office employees (recruited in Paris), and since the agreement on the scheduling and reduction of working hours was signed on 30 June 2000, the number of annual working hours has been:
- ✓ 1,582 hours for employees whose working time is counted in hours,
- ✓ 206 days for employees whose working time is counted in days.

Pursuant to the French law of 8 February 2008, AFD offered to buy back days held in Time Savings Accounts from its employees. Then in an agreement reached on 23 December 2008, the possibilities for using and adding to time savings were expanded.
By collective agreement, employees with manager status have been

able to work occasionally from home, mainly editorial and preparatory work since 2004. It is therefore possible to work from home on occasion if employees and their managers agree. In 2012, employees worked 855 days from home. In addition, in order to improve work-life balance, employees may take advantage, at their request, of a part-time work arrangement. 6.4% of employees worked part time in 2012. 90.2% of them are women. 77% of part-time employees chose the 80% option.

.... Group

2.10.1.2.2 Absenteeism

9,650 days were lost to illness in 2012, equivalent to a 2.8% absenteeism rate.

.... France

2.10.1.3 Employee relations

2.10.1.3.1 Structure for employee dialogue, including procedures for informing, consulting and negotiating with employees

Employee representation is organised as follows:

- ✓ **A head office Works Council and four local Works Councils for the French Overseas Departments** (that have more than 40 employees) collectively represent employees for all matters related to the company's management and economic and financial development, working conditions and scheduling, professional training and social protection. They also organise social and cultural activities established within the company.
- ✓ **A Central Works Council** holds twice-yearly meetings that bring together representatives from the five Works Councils and deals with financial and economic initiatives that affect all employees governed by French law.
- ✓ **A Group Committee** that meets annually, bringing together employee representatives for AFD and its subsidiaries.
- ✓ **Health, Safety and Working Conditions Committees** at head office and French Overseas Department offices work on employee safety and protection and on improving working conditions.
- ✓ **Employee representatives (head office and foreign offices)** gather and present the company with all individual and collective employee claims on application of laws, bylaws and equity policies.

AFD does not have a collective agreement. Labour contracts for AFD employees under French law are governed by staff regulations unique to each institution (one head office, four French Overseas Departments). Employees hired in foreign offices and in French Overseas Departments have an employment contract governed by staff regulations and any relevant collective agreement in that country (collective agreements for banks and financial institutions).

Major changes planned within AFD are subject to negotiations with unions and procedures for informing or consulting with employee representative bodies.

No modification to the structure with significant consequences on employment, training or working conditions, or on the Group's general operations, may be implemented before at least one month has been spent informing and/or consulting with Employee Representative Bodies (IRP).

Works council and staff representative (CE/DP) elections were held on 20 March 2012.

2.10.1.3.2 Collective agreement evaluation

Agreements signed during 2012:

- ✓ new 2012-2014 profit-sharing agreement, signed on 22 June 2012;
- ✓ agreement on promoting the employment of disabled people, signed on 20 December 2012.

.... France

2.10.1.4 Health and safety

2.10.1.4.1 Health and safety conditions in the workplace

AFD Group places great importance on matters related to health, safety and psycho-social risk in all of its offices. At head office, the CHSCT, the committee responsible for these issues, meets at least four times per year. Both at head office and in its local offices, annual medical and social check-ups are scheduled for employees. As a result, for example, vaccines for employees hired locally by foreign offices are fully paid for by AFD. A charter on chronic illnesses signed in 2008 guarantee 100% coverage of treatments for employees affected, whatever the country's social security programme. It also provides such employees with guaranteed protection from discrimination within the workplace.

For all entities, security standards and procedures to monitor issues relating to employees' safety (terrorism, earthquake risks, bird flu, etc.) are currently in force. In case of an external event that may put employees' safety at risk, a mechanism will ensure a crisis unit is mobilised, and a repatriation procedure for expatriate employees and specific, case-by-case treatment for local employees will be implemented if necessary.

A unit to promote well-being at work and prevent psycho-social risks, consisting of members of the CHSCT (Committee for Health, Safety and Working Conditions) and the HR department meets regularly to identify and remedy difficult individual situations. The latter may be subject to an alert by employee representatives as part of monthly DP-HRD meetings. Difficult individual situations are also dealt with by managers.

Furthermore, the company doctor prepares an annual report included in the CHSCT report that relates difficult situations that have arisen over the year and defines the comprehensive frameworks (against alcoholism and nicotine addiction, influenza vaccination programmes, etc.).

.... Group

2.10.1.4.2 Assessment of agreements signed with unions or employee representatives regarding health and safety in the workplace

No agreement was signed in 2012.

2.10.1.4.3 Work accidents, particularly their frequency and seriousness, as well as occupational illnesses

There were 12 work- or travel-related accidents requiring time off in 2012

.... France

2.10.1.5 Training

2.10.1.5.1 Training policies implemented

The integration of new hires is at the heart of the training policy, which now offers a comprehensive programme of initiatives and seminars. These make it possible to go beyond learning about the work environment and to fully understand AFD's strategies, responsibilities, challenges and procedures now and in the future.

AFD's training policy devotes considerable resources to teaching or improving language skills, and to the development of professional and managerial skills. A number of technical internships have been introduced in banking, finance and economics, and in supporting project leaders in handling the technical scope of operations.

The Development Profession programme, intended to provide all employees with shared expertise in development aid and AFD's role within the French system, has had its format changed to make it even more relevant to the projects financed. For the second straight year, a practical unit was offered as part of the seminar that provided a real, hands-on approach to development practices. In 2012, three groups of employees were given an operational demonstration of the various forms of aid, visiting projects in Morocco, Vietnam and Mozambique.

Similarly, employees hired locally are included in the Group's comprehensive training initiatives (with more than 48,000 hours provided in 2012), whether locally or at head office (80 locally hired employees brought to AFD head office each year for training).

....Group

2.10.1.5.2 The total number of training hours

2012 was an active year in terms of training, with over 25,000 hours of training logged, an investment that represents 4.15% of the payroll compared to the 1.6% required under French law[1].

2.10.1.6 Equal treatment

2.10.1.6.1 Measures taken to promote equality between women and men

In 2007, an initial agreement was signed to promote professional gender equality between women and men. In June 2011, a new agreement was signed to confirm and update this commitment.

This applies to employees under French-law labour agreements, i.e. head office employees managed by the Group. It includes a number of specific targets aimed at fostering women's professional development throughout their career.

Ambitious goals were set for 31 December 2013 to establish balanced representation by men and women at all levels of the business:

- ✓ percentage of female executives: 50% (in 2012: 45.2%);
- ✓ percentage of female supervisory staff (excluding section heads): 33% (in 2012: 24.6%);
- ✓ percentage of women in the network: 28% (in 2012: 24.2%);
- ✓ rate of promotion for women and men that corresponds to their representation at each level of employment.

In 2013, the HR department will continue initiatives aimed at ending any differences in compensation for similar positions. Furthermore, it will aim to define a policy to make it easier for the spouses of employees assigned to the network to work, which is currently the major stumbling block for transferring employees abroad.

2.10.1.6.2 Measures taken to promote the employment and integration of disabled people

Recruiting and retaining disabled employees within the company is a major concern for AFD Group's management and unions. In France, a proactive, structured policy for employing and hiring disabled people has been implemented (with the caveat that the definition of disabled employees varies in different countries) and within AFD Group it has resulted in:

- ✓ AFD's head office had 17 disabled employees in 2012;
- ✓ percentage of total employment at AFD Group's French offices in 2012: 1.8%.

In addition, the management and unions signed a new disability agreement in December 2012, which covers the following four areas:

- ✓ hiring and integration of disabled new employees and collaboration with the "protected and adapted enterprise sectors" (ESAT/EA, companies that hire disabled people who are otherwise unable to work in an ordinary work environment or companies whose workforce is at least 80% composed of disabled people);
- ✓ retention of disabled employees;
- ✓ training;
- ✓ awareness-raising and communications.

Specific targets include a direct employment rate of 2.4% by the time the agreement expires.

....France

2.10.1.6.3 Anti-discrimination policy

AFD is constantly working to provide all people of comparable skills and profiles with equal opportunity for employment.

A proactive policy for hiring and retaining disabled employees was implemented via an agreement signed with the unions in December 2012.

The efforts made in recent years to strengthen the AFD network in foreign countries has resulted in increased hiring of local employees.

The Group promotes the recruitment of working-age youth by hiring young people through work-study contracts (programmes alternating school training with apprenticeship in a business). In 2012, AFD's workforce included four young people working under professional training contracts as well as five employees under apprenticeship contracts.

AFD statistically analyses educational diversity and provides unions with indicators for each type of education (*grandes écoles*, universities, etc.).

No legal proceedings have been initiated against AFD for discrimination.

1. Figures from Declaration 2483 FR.

2.10.1.7 Promoting and following the provisions of the core International Labour Organisation conventions concerning:

2.10.1.7.1 Freedom of Association and Protection of the Right to Organise

In addition to complying with French law on both of these issues, the maintenance and quality of employee dialogue are considered one of the major strategic areas for the internal social responsibility policy. The four underlying principles are:

- ✓ **Constructive dialogue:** management and employee representatives work together to support AFD's development. Their joint efforts are characterised by their pursuit of the collective good.
- ✓ **Respect for each party's rights:** management and representatives have complementary roles that should not be confused.
- ✓ **Professional negotiations:** AFD is careful to provide employee representatives with the resources to fully carry out their mandates (transparency of information supplied, outside training or support in case of difficult negotiations, etc.)
- ✓ **Preparation:** through its employee dialogue, AFD tries to respond to medium-term employee concerns, particularly regarding social change.

Paragraph 4.3.1.1 covers the structure of employee dialogue at AFD.

2.10.1.7.2 Discrimination (Employment and Occupation) Convention

Paragraph 4.1.6 covers the measures taken by AFD to provide equal treatment in accordance with the laws applicable to AFD.

2.10.1.7.3 Abolition of Forced Labour Convention

Not applicable to AFD Group.

2.10.1.7.4 Minimum Age Convention

Not applicable to AFD Group.

2.10.2 ENVIRONMENT

Scope of environmental indicators

Group: AFD and PROPARCO head offices and local offices
AFD: AFD head office and local offices
Head office: AFD and PROPARCO head offices
AFD head office: AFD's head office, does not include PROPARCO's head office

Most of the data recorded is for AFD head office, except the figures for paper and professional travel, which include PROPARCO data.
Information reported on the number of employees has been calculated based on the average number of FTE in Group head offices (namely, 1,003.9 FTE in 2012 for AFD head office and 1,132.6 FTE for AFD and PROPARCO head offices).

2.10.2.1 General environmental policy

2.10.2.1.1 Organising the Group to take into account environmental concerns and, if applicable, the procedures for environmental assessment or certification

In 2012, AFD initiated the process of improving its environmental performance. The 2013-2016 Group CSR policy currently being prepared will include strategic guidelines and an action plan for "internal environmental responsibility". This internal environmental approach focuses on four areas:

(i) ASSESSMENT: annually calculate the Bilans Carbone® (carbon footprint) for AFD Group's internal operations, supplemented by occasional environmental testing and regular monitoring of various impact indicators.
(ii) TAKE OPERATIONAL ACTION: strengthen AFD's priority action plan to reduce its environmental footprint, especially in the following: responsible purchasing, energy efficiency and renewable energy, travel and waste management.
(iii) OFFSETTING: voluntarily offset greenhouse gas emissions generated by AFD's activity by financing environmental projects in developing countries (purchase carbon credits).
(iv) RAISE AWARENESS: communicate with AFD employees and raise their awareness of sustainable development as both professionals and citizens.

Internal environmental management is the responsibility of the Internal Environmental Responsibility (REI) officer, who is part of the Corporate Secretariat's Business Efficiency unit (CEM). The REI officer works in collaboration with the CSR unit and the various Group entities that are involved in environmental management.

2.10.2.1.2 Environmental protection training and education initiatives for employees

AFD Group conducts internal communications campaigns throughout the year in order to raise the awareness of all employees, as both professionals and citizens, regarding sustainable development issues. The Group's initiatives take many forms and include internal environmental responsibility projects implemented as well as environmentally responsible behaviour to be developed: reports, internal news articles, exhibitions, conferences, initiatives during major international events (Sustainable Development Week, European Week for Waste Reduction, etc.).
Training and awareness-raising workshops dedicated to corporate social responsibility issues, climate change and environmental responsibility, which are conducted both internally and externally, are organised by the REI officer, the operating departments, the CSR unit and HR.

2.10.2.1.3 Resources dedicated to environmental risk and pollution prevention

Not applicable to AFD Group.

2.10.2.1.4 Provisions and guarantees for environmental risks, except where this information may be seriously detrimental to the company in an ongoing legal dispute

Not applicable to AFD Group.

2.10.2.2 Pollution and waste management

2.10.2.2.1 Measures for preventing, reducing or reclaiming pollution in the air, water or soil that seriously affect the environment

In Paragraph 4.2.4.1, AFD describes its measures for reducing air emissions in greater detail.

2.10.2.2.2 Measures for preventing, reducing or recycling waste

As part of the "Model State" initiative covering public institutions and in accordance with the Environment Round Table, AFD Group is conducting a series of REI projects to improve its internal environmental management.

In 2012, AFD began a project to optimise waste management at its head office. The first stage of the Optigede project was to carry out a technical, economic, organisational and regulatory evaluation of waste management and to map and measure the various waste flows generated. In 2013, work will consist in identifying areas for optimising waste management and implementing the relevant action plans.

Waste	Indicator	2011	2012	2012/2011 change (as a %)
Total volume	tonnes/year	199	218	10%
Household and related waste	tonnes/year	171	153	-11%
Waste production/employee	kg of waste/employee	201	217	8%

Note: Food waste was not reported separately and is included in "Household and related waste".

2012 figures were obtained via an external assessment carried out on AFD head office's waste management that refined the way amounts of waste generated are reported. This also explains the annual data changes between 2011 and 2012.

2.10.2.2.3 Consideration of noise or any other type of pollution specific to a certain activity

In order to reduce its impact, AFD Group has committed to developing a series of "internal environmental responsibility" projects (see 4.2.1.2) and raising employees' awareness of environmentally responsible behaviour.

Second, AFD Group has taken a carbon-neutral approach by offsetting emissions from its headquarters since 2007 (see 4.2.4.2).

2.10.2.3 Sustainable Use of Resources

2.10.2.3.1 Water consumption and water supply depending on local constraints

Water	Indicator	2011	2012	Change (%)
Water consumption/employee	m^3/employee/year	11	11	0%
	litre/employee/day	53	55	+4%
Total water consumption	m^3/year	10,787	11,377	+5%

Scope: AFD France head office (kitchen, general services, toilet facilities, climate control).

In 2012, AFD head office continued its lavatory renovation programme by installing aerated sensor taps that limit water consumption.

2.10.2.3.2 Commodities consumption and measures taken to improve efficiency

Paper	Indicator	2011	2012	2012/2011 change (as a %)
Total consumption[1]	tonnes/year	68	79	16%
Paper consumption/employee[2]	kg/employee/year	44	59	34%
Blank paper	tonnes/year	40	48	20%
Reams of blank paper/employee	reams/employee/year	16	17	6%
Blank paper consumption/employee	kg/employee/year	41	42	2%
Printing paper	tonnes/year	24	19	-21%

Head office scope
1. Consumption of blank paper, paper supplies and printing paper (publications).
2. Consumption of blank paper and paper supplies (excluding printing paper).

Due to the nature of its activity, AFD Group does not consume significant amounts of raw materials. The main resource used in the course of its work is paper. Total paper consumption includes direct use by employees (blank paper, envelopes and other paper supplies) as well as AFD Group's external communication documents (printing paper). FSC and PEFC[1] paper (blank paper, printing paper publications) used by employees accounts for 76% of the total.

2.10.2.3.3 Energy consumption and measures taken to improve energy efficiency and renewable energy use

Energy	Indicator	2011	2012	2012/2011 change (as a %)
Total energy consumption/m²	kWh/m²/year (NFA)[1]	172	168	-2%
	kWh/m²/year (Useable area)	202	198	-2%
Total energy consumption	MWh/year	4,555	4,446	-2%
Total energy consumption/employee	kWh/employee/year	4,595	4,429	-4%
Total electricity consumption	MWh/year	3,443	3,184	-8%
Total steam consumption	MWh/year	1,112	1,262	13%

Scope: France head office (AFD and PROPARCO).
NFA indicator scope: AFD office on Rue Roland Barthes (no data for PROPARCO in 2012).
1. Net floor area (excluding equipment rooms), or 26,520m².

100% of electricity purchased for AFD head office is certified "green". 100% of the electricity purchased by AFD's head office is produced using renewable energy sources, and AFD contributes to financing research projects on solar energy. The decrease in energy consumption is due to the 2010 implementation of a Building Management System project.
In order to improve its energy efficiency, AFD regularly renovates its property in France and abroad (hygrothermal measures: thermal insulation, ventilation system, etc.).
The Group has established a new property acquisition policy that allows it to acquire several properties (offices and employee housing) and makes it easier to manage energy consumption in these buildings and their facilities with renewable energy.
As such, a study has been carried out on energy efficiency and potential investment in renewable energies (photovoltaic, wind, etc.) in the network of local offices. The goal of this study is better energy management in local offices: due to its work, an optimised tool for monitoring energy consumption was installed that enables us to define the precise energy profile of various buildings and determine the priorities for managing energy (equipment, behaviour). Similarly, the results of this study will guide equipment selection for local agencies in renewable energy production systems.
Furthermore, the Group has launched projects to apply a high environmental quality (HQE) and low-consumption (BBC) approach to its head office buildings and some premises of its field agencies. Future housing for AFD management in Fort-de-France, Martinique, have received NF-Environment-HQE certificates. This is one of the first HQE commercial property developments in this French Overseas Department.
Along with this research and these projects, the Group carries out internal awareness campaigns for its staff, as mentioned above.
In 2012, AFD headquarters conducted the following initiatives to reduce its energy consumption:

- ✓ lavatory renovation programme: automatic motion sensor lighting and very low energy lighting;
- ✓ completed the building technical management project to optimise facilities' consumption and better steer heat and cold production;
- ✓ carried out feasibility studies on HQE renovation and operations as well as preparing possible profiles;
- ✓ completed the installation of solar generators at the head office on Rue Roland Barthes in Paris. The generators can produce 17,000kWh per year.

2.10.2.3.4 Soil use

Not applicable to AFD Group.

2.10.2.4 Climate change

2.10.2.4.1 Greenhouse gas emissions

Since 2006, AFD has assessed the Bilan Carbone® (carbon footprint) for its head office. Starting in 2009, all of its agencies and local offices have been included.[2]
AFD Group's Bilan Carbone® is managed and produced internally by the REI officer certified by Ademe, with data on "Bilan Carbone" benchmarks identified in each of the different head office departments and the agents from AFD's international network (68 sites in Africa, Latin America, Asia and the French Overseas Departments and Collectivities. The footprint involves the Ademe method's scopes 1, 2 and 3, and therefore includes all emissions, whether direct (AFD employee carbon emissions) or indirect (carbon emissions from AFD service providers) related to the activities of the head office and international office network. The Bilan Carbone® considers the following items: energy, professional travel, inputs, fixed assets and waste.
The results of AFD Group's overall Bilan Carbone®, outlined below, are for 2011. The consolidation of the Group's N-1 data was not available at the end of the first half of the year.

1. FSC: Forest Stewardship Council – PECF: Pan European Forest Certification Paper from sustainably managed forests.
2. The Bilan Carbone® is established every year according to the method approved by the French Environment Agency for Energy Management (Ademe).

Note: In 2012, AFD Group began preparing the Bilan Carbone® for the entire Group. This assessment will not be available until July 2013. In any case, the results of the Group's 2011 Bilan Carbone® are as follows:
In 2011, AFD Group's total emissions stood at 31,565 tCO_2eq (tonnes of CO_2 equivalent). Greenhouse gas emissions for the Group's offices in mainland France (AFD head office, the PROPARCO subsidiary and Cefeb, the Group training centre in Marseille) account for 23,072 tCO_2eq, or 23 tCO_2eq.
The results for greenhouse gas emissions abroad are as follows: Total emissions of eight tCO_2eq, on average, 150 tCO_2eq by agency or 11 by employee (namely, seven tCO_2eq excluding professional travel) - based on results from the Group's 57 websites.

The activities that produce the most emissions are travel/shipping as well as inputs for offices in Mainland France and travel/shipping and energy for the office network abroad. Travel, the predominant activity, accounts for more than 50% of the Group's total emissions. These results are explained by AFD's core business: field assignments are crucial for monitoring projects. In addition, AFD's operating scope and volume of activity has significantly increased in the last few years.
Employee travel (travel for assignments, transfers and commuting) and assignments for consultants are the activities that emit the most greenhouse gases at AFD's internal operations level. Since 2006, professional travel still account for more than 50% of total carbon emissions (see above).

Travel on the Group's behalf (total emissions and by employee, in thousands of passengers km)

Carbon and business travel	Indicateur	2011	2012	2012/2011 change (as a %)
Total emissions	teq CO_2/year	14,489	14,105	-3%
Total distance travelled	Thousands of km	55,160	53,347	-3%
Emissions/employee	teq CO_2/year/employee	13.12	12.45	-5%
Distance travelled/employee	km	49,946	47,101	-6%

In total, AFD Group's entire scope, the annual change in greenhouse gas emissions between 2010 (32,598 tCO_2eq) and 2011 (31,565 tCO_2eq) is greater than 3% (3.16%). This general decline is in line with French commitments to reduce our greenhouse gas emissions by 3% annually. At the employee level, AFD has noted a greater annual change of -4.5% for offices in mainland France and -5% for its international network.

2.10.2.4.2 Adapting to the consequences of climate change

Since 2007, AFD has offset greenhouse gas emissions for its head office. In 2011, a new carbon credit purchase agreement was signed with EcoAct, a company specialising in carbon finance. This contract is intended to offset greenhouse gas emissions for 2010-2012, or 72,000 tCO_2eq.

2.10.2.5 Protecting biodiversity

2.10.2.5.1 Measures taken to preserve and protect biodiversity

The Group's activity does not have a significant impact on biodiversity, the natural environment or protected animal and plant species. Nevertheless, AFD Group ensures that company catering takes great care to offer products that respect ecological balance: no protected fish species are consumed, range of organic, fair-trade products, etc.

2.10.3 INFORMATION ON COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

2.10.3.1 Territorial, economic and social impact of the company's activity:

2.10.3.1.1 Employment and regional development

Given the small number of group employees assigned to and recruited in each of the foreign offices in the countries where AFD operates (an AFD office has 11 employees on average), the local impact on employment and regional development is limited.
The level of compensation AFD offers to its employees, notably in foreign countries, and the preventative measures and health coverage it provides, contribute to improving social conditions and conditions at home.
Employees hired in foreign offices have an employment contract governed by staff regulations and any relevant collective agreement in that country (collective agreements for banks and financial institutions).

2.10.3.1.2 On local communities

Not applicable to AFD Group.

2.10.3.2 Relations with individuals or organisations interested in the company's activity, particularly back-to-work associations, teaching establishments, environmental protection groups, consumer associations and local communities

2.10.3.2.1 Conditions for dialogue with these stakeholders

AFD has begun holding meetings for information and dialogue on its strategy with members of Parliament, NGOs, businesses, foundations, researchers, union representatives and local authorities before presenting it to its Board of Directors. In addition, the Board of Directors includes representatives from NGOs, Parliament and AFD's workforce.
AFD was very active in organising conferences in 2012, particularly for the European Development Research Network (EUDN) in March 2012 on the subject of "Evaluation and its discontents: what can we learn from experience in development?". This conference was attended by more than 1,000 participants from approximately thirty countries in Africa, Asia, Europe and America. AFD also organised around forty themed conferences.
AFD conducted its regional forums as part of its "Objectifs Développement" touring exhibition, which was intended to explain its methods of operation in territories with its main counterparties. The exhibition was an opportunity to organise special events by AFD and provided a framework for our partners in local communities and NGOs to arrange their own civic dialogue events with the goal of highlighting their international solidarity initiatives. These events were in the form of "debates" or "film screenings/debates" on subjects chosen by partner cities that involved AFD experts, as well as "development coffees" on the method of meeting with AFD agents, NGOs and the public. This process eases the way for constructive dialogue and sharing of knowledge and ideas with an eye to developing a shared vision.
As part of this civic dialogue framework, AFD organised three debates on "What can we learn from development aid best practices? What can we learn on territorial development? What can we learn about education? What can we learn about access to care?" These meetings were intended to debate AFD's achievements as well as those of all involved in development aid.

2.10.3.2.2 Partnership or sponsorship initiatives

As part of financing NGO initiatives, AFD allowed the Ethical Labelling Collective to organise, alongside the CSR Citizen's Forum, a symposium on "State Duties: The Responsibilities of Multinationals. Prevent and correct violations of human rights and the environment."
In October 2012, AFD signed a partnership agreement with the "Un stage et après" USEA[1] charity and committed to welcoming at least five high school students per year as part of their final-year internship. Two students were welcomed in December 2012 for a five-day internship, which took the form of a journey of discovery through which they were able to explore several career paths.
Founded in 2009, this charity offers high school students from underprivileged neighbourhoods support to make their final-year internship a central factor in their career choice.
In partnership with the Employment division, Opcalia Ile-de-France and the National Centre for Professional Training (CNFP) established an innovative system intended to simplify the hiring and workplace integration of disabled people. The Operational Readiness for Unionised Employment project (POEC) provides disabled people with personalised training tailored for the position to be filled within the partner company. In accordance with the disability agreement it has recently adopted, AFD is committed to welcoming people in this programme with internships and then professional qualification contracts.
Academic, institutional and operational partnerships with leading organisations (IDDRI, Maastricht University, Collège de France, Épargne sans Frontière, Paris School of International Affairs (PSIA), CSFRS (High Council for Strategic Education and Research), Urgence Réhabilitation Développement, Collège des Bernardins, Office of Economic Cooperation for the Mediterranean and the Middle East (Ocemo), Global Development Network, Coordination Sud, etc.) provide AFD with the means to be an active player in terms of outreach and influence in international debates on development.
Finally, in 2012, two agreements were signed to provide a framework for partnership, while the partnership agreement with "Les Eco-Maires" was renewed. The first partnership agreement was signed in July with France Nature Environnement. It concerns biodiversity in the French Overseas Departments and Collectivities and is intended to (i) promote dialogue between local authorities and local environmental and conservation organisations on the topic of biodiversity in order to raise the awareness of public authorities; (ii) to coordinate the actions of local authorities regarding climate change adaptation with those of local organisations; (iii) to encourage organisations to share their expertise with neighbouring developing countries. The second partnership agreement was signed with the National Union of Social Action Community Centres (UNCCAS) in October. It concerns support for social cohesion in the French Overseas Departments and Collectivities and provides for three kinds of actions: identifying social needs through territorial diagnostics, exchanging methodological tools, and sharing experiences. The partnership agreement renewal signed with the "Les Eco-Maires" associationconcerned their participation in the jury for the "Les Outre-mer durables" contest.

2.10.3.3 Subcontractors and suppliers

2.10.3.3.1 Consideration of social and environmental issues in our purchasing policy

Note: The scope of indicators used throughout this section is AFD head office. Purchasing and subcontracting in local offices and PROPARCO are not taken into account.

AFD's purchasing unit has established a responsible purchasing procedure as well as a code of conduct for purchasing agents. Both of these documents are available on AFD's website.
Head office's paper supply is guaranteed recyclable, green- and FSC-certified, from sustainably managed forests, and there is no chlorine in any of the blank paper used for printing or photocopies. This guarantee of sustainable, sensible management forest operations is a core feature of AFD's sustainable purchasing policy. Furthermore, AFD requires all of its electrical and electronic equipment to be Energy Star certified.
In addition, one of the purchasing unit's challenges is to limit the amount of packaging produced by supply purchases. In accordance with the specifications, service providers must limit the amount of paper, plastic and boxes, and deliver only bulk products to AFD.
AFD is committed to optimising its operating budget as part of responsibly managing public funds.

2.10.3.3.2 The importance of subcontracting and consideration of suppliers' and subcontractors' corporate social responsibility in AFD's relationships with them

Contracts signed automatically include clauses on the fight against corruption and respect for environmental and social standards. Responsibility for monitoring implementation of the contract and its clauses then becomes the responsibility of the department that is the end user.

1. "One internship and then".

FOCUS: CLAUSES INCLUDED IN THE AFD CONTRACT TEMPLATE

Article 9 - Corruption
The Service Provider states:
• that it has never committed any act likely to influence, to AFD's detriment, the completion of the project and particularly that no cartel agreement has been or will be reached;
• that the negotiation, awarding and execution of the contract has not given, and does not and will not give rise to any act of corruption as defined by the United Nations Convention against Corruption of 31 October 2003.

Article 10 - Environmental and labour standards
The Service Provider commits to:
• complying with environmental and labour standards recognised by the international community, including the International Labour Organisation's (ILO's) core conventions and international conventions on environmental protection, as well as ensuring all of its subcontractors do likewise;
• implementing, if necessary, measures for mitigating environmental and social risks as defined by the environmental and social management plan or the environmental and social impact notice provided by AFD.

2.10.3.4 Fair practices

2.10.3.4.1 Initiatives for preventing corruption

To combat corruption, money laundering, terrorist financing and fraud that could taint projects, AFD has developed a general policy on the subject. This is a reference document that describes the checks to be made by Group employees at the various stages of a project's life cycle.

Checks made during a project's life cycle
Prior to beginning a project, the counterparty is researched in depth, along with, when relevant, its shareholders as well as politically exposed persons. After a project, procedures for reimbursing and winding up equity investments are monitored carefully because they may reveal fraudulent practices.
In addition, during project appraisal and throughout the project's life cycle, the Group provides its employees with a screening tool[1] based on criteria for financial and trade sanctions adopted by France, the European Union, the United States, the United Kingdom and the United Nations. Such screening is also included in the processing chain for payments issued by AFD's financial department. The purpose is to ensure that no counterparty or individual involved in such checks, or the supplier or winner of a call for tender funded by AFD, is under financial sanction or operates in sectors under embargo imposed by France, the European Union, the United Nations, the United States or the United Kingdom.

Checks made as part of the public procurement process
Foreign public procurement for contracts financed by AFD Group undergo specific checks ensuring that the various stages of the procurement process unfold under the required conditions of integrity, transparency, fairness and efficiency. These checks are published through the issuance of a Notice of No Objection (ANO) and are carried out ex ante at specific stages of the public procurement process. In addition to these checks, AFD Group has decided to strengthen the exclusion criteria[2] it imposes on project management as part of the procurement and award processes for contracts it is likely to finance.

Counterparty commitments
AFD Group's financing conventions impose commitments on counterparties in terms of combating corruption, cartels, money laundering and terrorist financing.

Training of Group employees
In accordance with applicable French regulations, the Group ensures that all of its employees, including those of its office network, receive regular training and notifications on the risks applicable and procedures to implement regarding the fight against money laundering, terrorist financing and corruption On 31 December 2012, 1,423 Group employees have been trained via e-learning modules since they were implemented in 2011, while 116 received in-class training.

2.10.3.4.2 Measures taken to promote the health and safety of consumers

Not applicable to AFD Group.

2.10.3.5 Initiatives to promote human rights

AFD is committed to promoting human rights through three axes: its operations, human resource management and purchases.

Operations
The due diligence required in operations through agreements signed with partners/beneficiaries: they particularly concern child labour, forced labour, the rights of indigenous peoples, and a ban on participating in certain sectors.
In 2012, the Board of Directors approved AFD's 2012-2014 strategy for health and social protection, for which the focus areas are: improving maternal health and reducing child mortality, strengthening health and social protection systems, and initiatives on environmental determinants of health (potable water and sanitation, agriculture, etc.).
Since 2010, AFD has participated on its own behalf in co-financing projects run by French NGOs, particularly on human rights and especially gender. Twelve projects of this type, particularly involving supporting the emergence of civil society, received financing in the last three years.

Human resources
Human resources management checks to ensure that all AFD offices comply with international standards, particularly those of the ILO.

Purchasing policy
The human rights aspect is taken into account when training purchasers and in administrative processes. Calls to tender are managed in accordance with the relevant European regulations.

1. Available on the Group intranet.
2. See the Guidelines for Procurement of AFD-Financed Contracts in Foreign Countries - January 2013.

Agence Française de Développement
Head office: 5, rue Roland Barthes – 75012 Paris

Auditors' certificate on the inclusion of labour, environmental and social data in the 2012 management report

As requested, and in our capacity as statutory auditors for Agence Française de Développement, we have prepared this certificate on the inclusion of labour, environmental and social data provided in the 2012 management report for the financial year ended 31 December 2012, in accordance with Article L.225-102-1 of the French Commercial Code.

Corporate responsibility

Agence Française de Développement's Board of Directors is responsible for preparing a management report that includes labour, environmental and social data as set out in Article R. 225-105-1 of the French Commercial Code (hereafter the "Information"), prepared in accordance with the definitions and calculation methods chosen by the Group (the "Standards") and available at its head office.

Independence and quality control

Our independence is defined by regulatory documents, our professional code of ethics and the provisions set out in Article L. 822-11 of the French Commercial Code. In addition, we have established a quality control system that includes documented policies and procedures in order to ensure compliance with the code of ethics, professional standards and all applicable legal and regulatory texts.

Role of one of the statutory auditors

It is our responsibility to certify, based on our work, that the required information is included in the management report or, if omitted, that it is explained in accordance with the third Paragraph of Article R. 225-105 of the French Commercial Code and Decree No. 2012-557 dated 24 April 2012. However, it is not our responsibility to verify the accuracy of this information.
To assist us in carrying out our work, we have called on our experts in corporate social responsibility.

Nature and scope of work

We carried out the following work in accordance with professional standards applicable in France:

- We compared the information in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code;
- We verified that the information is for the entire consolidated scope, namely AFD as well as its subsidiaries as defined by Article L. 233-1 and the companies under its control as defined by Article L. 233-3 of the French Commercial Code, within the limits set out in the "CSR reporting methods within AFD Group" Paragraph of this document;
- We verified that any omission of consolidated data is explained in accordance with Decree No. 2012-557 dated 24 April 2012.

Based on this work, we certify that the management report includes the required information.

Paris-La Défense, 16 April 2013

The statutory auditor

KPMG Audit
A department of KPMG SA

Arnaud Bourdeille
Partner

Philippe Arnaud
Partner
Head of the Climate Change &
Sustainable Development Department

2.11 REMUNERATION OF EXECUTIVE OFFICERS

In accordance with Act 2005-842 of 26 July 2005 to improve confidence in and modernise the economy, compensation paid to each executive officer in 2012 is outlined below:

Total gross compensation (in euros)	
Dov Zerah - Chief Executive Officer	205,999.92
Didier Mercier - Deputy Chief Executive Officer	168,017.45

There are no benefits in kind, special retirement schemes, stock option plans or variable compensation for AFD's executive officers.

2.12 RECENT CHANGES AND FUTURE PROSPECTS

2.12.1 RECENT CHANGES

Activity

The Group continued to build on growth begun in previous years, with approvals of over €7bn approved by the Group.

Governance

AFD's system of governance has not been changed.

2.12.2 FUTURE PROSPECTS

In 2013, the proposed overall target is €8bn in authorised commitments, in accordance with the assumptions on activity made by the 2012-2016 Strategic Orientation Plan and is consistent with the budgetary resources allocated to AFD as part of the Targets and Resources Contract (COM) as well as operating limits and different regional mandates. This programme of activities follows on 2012's in terms of achieving all COM objectives, particularly for subsidy operations in the health and education sectors in Sub-Saharan Africa and in 17 priority poor countries.

For AFD, activity forecasts anticipate continuation of a high level of activity in the French Overseas Departments and Collectivities (€1.4bn), and considerable growth of non-sovereign activity in foreign countries. They also foresee a substantial increase in in sovereign loan activity in Sub-Saharan Africa and Asia Pacific compared to 2012.

For PROPARCO, the 2013 programme assumes activity will stabilise at €1.1bn.

By geographic region, AFD's activity forecasts (€5.5bn) are as follows:

- ✓ **Sub-Saharan Africa** will be the priority region, with overall forecasted activities of €2.5bn. These forecasts rely on an increase in highly concessional loans, particularly for IMF-compliant products. At the same time, non-sovereign activity will also increase notably as a result of the finalisation of some operations that could not be presented for approval in 2012. In addition, activities for specific mandates are also expected to grow substantially, in relation to the rollout of C2D transactions in Côte d'Ivoire and the Democratic Republic of the Congo.
- ✓ The 2013 programme of activities for the **Mediterranean and Middle East** provides for approvals amounting to approximately €950M. This takes into account the fact that sovereign lending will be constrained by regulatory limits in certain regions (Tunisia, Morocco), while being partly offset by the growth of non-sovereign activity, especially in Morocco.
- ✓ In all likelihood, AFD's activities in **Asia Pacific and the Caucasus region** will increase substantially in 2013. Forecasts for growth rely on the stabilisation oapprovals in countries in which AFD has traditionally operated, particularly in Vietnam, and on a limited expansion of commitments in other Asian countries. The increase in activity will primarily be due to operations planned in countries in Central Asia and the Caucasus region in which AFD has recently begun or will soon begin to operate, mainly through slightly subsidized or market-rate sovereign loans. The overall goal for this region in 2013 is approximately €1.2bn in commitments.
- ✓ 2013 should be a year in which activities in **Latin America and the Caribbean** stabilise Constraints on internal sovereign limits in some countries are expected to be partly offset by an increase in non-sovereign market-rate loans, particularly in Colombia and Mexico, as well as through transactions with regional banks such as Latin American and Caribbean development banks (CAF and BDC).
- ✓ The 2013 programme of activities in **the French Overseas Departments and Collectivities** is proactive. It foresees approximately a 20% growth in public-sector loans, a high volume of approvals in favour of the private sector (including Oséo activities) and guarantees, which are expected to increase significantly.

2.12.3 BORROWINGS

On 8 November 2012, AFD's Board of Directors authorised AFD to borrow €6bn for its operations on its own behalf in 2013, in the form of bank loans or bonds, with or without a public offering. This ceiling includes a maximum loan of €400M from the French Treasury.

2.13 POST-CLOSING EVENTS

In 2012, AFD and Gécamines SARL returned to the negotiating table over settlement terms for the AFD loan. These negotiations resulted in an initial payment of €2.4M at the end of 2012. In December, they took written form as a draft agreement, which was presented to AFD's Board of Directors on 31 January 2013.

In accordance with the terms of this agreement, a €2.4M instalment representing capital repayment was paid by Gécamines in February 2013, leading AFD to write back a provision in the same amount for 2012.

3. PILLAR 3

GENERAL PRINCIPLES

The objective of Pillar 3 of the Basel II framework is to improve financial transparency by publishing quantitative and qualitative disclosures of different types of risk, risk evaluation procedures and the capital adequacy of companies.

This involves companies:

- ✓ aligning data with the new international accounting standards (IFRS) on financial communication;
- ✓ explaining their internal rating methodology and their risk assessment process to the market.

3.1 SCOPE OF APPLICATION

3.1.1 CORPORATE PURPOSE OF THE GROUP'S PARENT COMPANY TO WHICH THIS MEASURE APPLIES

Agence Française de Développement (AFD)

Detailed information about AFD Group's corporate purpose is presented in Paragraph 1.1 "Information about the company".

3.1.2 CONSOLIDATION SCOPE AND METHODS

There is no difference with regard to consolidation principles between accounting data and prudential data. The scope and consolidation methods are defined in Paragraph 5.1 of the "Consolidated financial statements prepared in accordance with IFRS accounting principles adopted by the European Union": Notes 5.2.2.1.1 "Consolidation scope and methods".

Moreover, there are no restrictions on transferring funds or regulatory capital within the Group.

3.2 CAPITAL

3.2.1 CAPITAL STRUCTURE

Aside from its Tier 1 capital, which stands at €2.873bn, AFD recorded €1.936bn in Tier 2 capital, of which €1.436bn in securities and subordinated borrowings in accordance with Article 4d) of Regulation 90-02 and €499M in subordinated borrowings in accordance with Article 4c) of Regulation 90-02.

Furthermore, AFD deducted €142M from its regulatory capital for equity stakes in credit or financial institutions that amount to more than 10% of their capital or which imply significant influence over these institutions.

Capital structure of AFD Group at 31 December 2012

In millions of euros

Base Tier 1 capital		**2,873**
of which share capital	400	
of which eligible reserves	2,188	
of which other Tier 1 capital with the agreement of the ACP	300	
Items to deduct from Tier 1 capital	-15	
Intangible assets	-15	
Tier 2 capital		**1,936**
Deduction from Tier 1 and Tier 2 capital		**-142**
Total Base Tier 1 capital		**4,666**

3.2.2 CAPITAL ADEQUACY

AFD largely meets the minimum capital requirements set out in Pillar 1 with a capital adequacy ratio of 19.03% at 31 December 2012, versus 23.97% at 31 December 2011. This drop is mainly due to strong growth during the financial year at both AFD and PROPARCO and the resulting shift in credit risk-weighted exposure to 27%. Regulatory capital has decreased by €9.2M.

AFD has put in place a process for evaluating internal capital adequacy under Pillar 2 that uses the following approach:

- ✓ developing risk mapping that goes beyond the risks used to calculate the capital adequacy ratio;
- ✓ quantification of identified risks;
- ✓ design of stress tests;
- ✓ impact of stress tests;
- ✓ calculation of economic capital.

This approach has allowed AFD to confirm that it particularly needs to focus on regulatory requirements governing the major risk ratio, as the structure of the agency's banking portfolio is characterised by a small number of mainly sovereign counterparties, with the principal counterparties representing a significant amount of exposure compared to the capital.

Capital adequacy

In millions of euros

Tier 1 capital			**4,666**
Base Tier 1 capital		2,873	
Tier 2 capital		1,936	
Deduction from Base Tier 1 and Tier 2 capital		-142	
Eligible capital			**1,961**
Credit risk		**1,896**	
	Governments and central banks	655	
	Banks	608	
	Corporates	531	
	Equities	103	
Market risk		**0**	
	Foreign currency net position < 2% of capital	-	
Operational risk		**65**	
	Standard approach to operational risk	65	
Capital surplus or deficit			**2,705**
Solvency ratio			**19.03%**

3.3 RISK EXPOSURE AND EVALUATION PROCEDURES

Because of the nature of its business activity, AFD is exposed to all of the risks of a credit institution:

- ✓ credit risk, which, by the nature of AFD's business in terms of the quality of counterparties and concentration, is the main risk to which the institution is exposed;
- ✓ market risk, particularly linked to the differences between foreign currency use and resources. However, AFD is not exposed to stock market risks because it has no trading portfolio;
- ✓ the global interest rate and liquidity risk related to (i) differences between resources and their use with regard to interest rates and maturity and (ii) compliance with accounting requirements for subsidised aid given as part of French public development aid;
- ✓ operational risk, notably because of the strong growth of its activities over the last few years and the nature of the regions in which it operates;
- ✓ reputational risk, which is potentially high for AFD because of the importance of the ethical aspects of its activities as well as the attention that it gets from non-governmental operators;
- ✓ strategic risk, linked with political changes in France and in the backers' community with regard to operations in developing countries.

Given its role as a development agency, and notably the subsidiary and/or incentive-providing nature of the agency's operations, the acceptable level of credit risk at AFD may sometimes be higher than for traditional banking institutions. For example, AFD must conduct business:

- in challenging countries;
- with risky counterparties;
- over longer maturities.

In any case, AFD looks for the most creditworthy counterparties in the countries in which it operates according to its development targets. In addition, lending opportunities are evaluated based on current banking criteria.

In terms of its level of exposure, AFD adapts the scale of its operations to match its capital level while seeking to ensure a good balance in its commitments.

In foreign countries, this means setting limits on its portfolio exposure and its undisbursed commitments by counterparty and country.

All of the risk measuring, management and monitoring systems that AFD Group uses as part of its activity are presented in the Internal Control report whose main components are given in the management report in Paragraph 2.9 "Risk factors".

The risk monitoring and management system also uses written risk monitoring procedures implemented by the Risk Department.

3.3.1 CREDIT RISK

3.3.1.1 General information

Exposure to credit risk includes balance sheet risk, notably exposure to loans, equity stakes, financial instruments and derivatives, as well as off-balance sheet exposures (financing commitments and guarantees given).

Exposures that are in arrears, i.e. primarily loan risk, are monitored in the computer system and are automatically downgraded as doubtful loans according to age rules defined by the regulations and writedowns as per the methods described below. The periodic ratings review ensures individual monitoring of counterparties.

The approaches adopted for specific and general provisions and writedowns are presented in Paragraph 5.1 of the financial statements: 5.2 Notes on "Provisions" and "Writedowns".

3.3.1.1.1 Credit risk exposure

Balance sheet and off-balance sheet items exposed to credit risk are presented in the table below:

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Assets		
Cash, due from central banks	11,518	24,099
Financial assets measured at fair value through profit and loss (excluding derivatives)	35,191	34,771
Available-for-sale financial assets	**1,477,231**	**932,929**
Loans and receivables to credit institutions	4,494,434	3,640,984
Demand	*343,138*	*142,312*
Term	*4,151,296*	*3,498,672*
Loans and receivables to customers	14,775,283	12,315,731
Commercial receivables	*2,744*	*2,801*
Other loans to customers	*14,772,539*	*12,312,930*
Overdrafts	*0*	
Credit-lease	*0*	
Loans and receivables	**19,269,717**	**15,956,715**
Held-to-maturity financial assets	691,751	686,714
Equity stakes in companies accounted for by the equity method	158,687	151,609
Financial assets measured at fair value through profit and loss (Derivatives)	31,081	16,627
Hedging derivatives	1,317,708	1,038,071
Derivatives	**1,348,789**	**1,054,698**
Total	**22,992,884**	**18,841,535**
Off-balance sheet items		
Firm lending commitments	8,633,071	6,581,403
Financial guarantees	1,087,920	1,097,993
Total	**9,720,991**	**7,679,396**
GRAND TOTAL	**32,713,875**	**26,520,931**

3.3.1.1.2 Breakdown by major credit exposure category, type of counterparty and geographic spread

The geographic spread (foreign countries/French Overseas Departments and Collectivities) and the breakdown by type of activity (sovereign/non-sovereign) for the gross loan portfolio is discussed in Chapter 2.8.1 "Consolidated balance sheet" (page 25). The different types of financial assets are detailed in Note 3 to the financial statements "Financial investments".

Regarding equity stakes, the relevant consolidated balance sheet headings are presented in the table below:

Equity stakes

In thousands of euros	31/12/2012 IFRS			31/12/2011 IFRS		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity stakes at fair value through profit and loss		13,975	13,975		15,893	15,893
Equity stakes included in available-for-sale financial assets	40,038	711,605	751,643	30,116	619,661	649,777
Companies accounted for by the equity method		158,687	158,687		151,609	151,609
TOTAL	**40,038**	**884,267**	**924,305**	**30,116**	**787,163**	**817,279**

The following table breaks down the various items making up the derivatives heading presented in Notes 1 and 2 to the financial statements:

Derivatives

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
	Assets	Assets
Fair value hedging		
Interest rate derivatives	857,694	366,004
Interest rate and foreign exchange derivatives (cross-currency swaps)	460,014	672,067
Total 1	**1,317,708**	**1,038,071**
Financial assets at fair value		
Interest rate derivatives	1,794	3,215
Foreign exchange derivatives	29,288	13,412
Total 2	**31,081**	**16,627**
TOTAL DERIVATIVES	**1,348,789**	**1,054,698**

All derivative transactions are carried out with credit institutions in OECD countries.

The off-balance sheet commitments given consist of financing commitments related to undisbursed amounts under signed loan agreements and guarantees.

Off-balance sheet commitments given (financing and guarantees) according to counterparty type

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Commitments given	**9,720,991**	**7,679,396**
Loan commitments made to banks	1,086,113	983,987
Loan commitments made to customers	7,546,958	5,597,416
Of which loan commitments	**8,633,071**	**6,581,403**
Guarantee commitments made to banks	744,073	723,741
Of which DOM Fund activity	*263,407*	*263,794*
Guarantee commitments made to customers	343,847	374,252
Of which guarantee commitments	**1,087,920**	**1,097,993**

Loan commitments - geographic spread and breakdown by type of activity

In millions of euros	2012	
	Total	Percentage
Loan commitments at the Group's risk	**8,174**	**95%**
Of which Foreign Countries	7,600	88%
Sovereign	*4,469*	*52%*
Non-sovereign	*3,131*	*36%*
Of which French Overseas Collectivities	574	7%
- Loan commitments at the State's risk	**456**	**5%**
Loans guaranteed by the State	*456*	*5%*
TOTAL GROUP LOAN COMMITMENTS	**8,633**	**100%**

Guarantee commitments - geographic spread

In millions of euros	Foreign Countries	French Overseas Departments and Collectivities	Total
Guarantee commitments given - credit institutions	383	361	744
Guarantee commitments given – customers[1]	282	62	344
GUARANTEE COMMITMENTS	**665**	**423**	**1,088**

1. The guarantee given under the FSD/Iffim - international vaccination programme (€243M) received a State guarantee for the same amount.

3.3.1.1.3 Breakdown of contractual residual maturities of the entire portfolio

Breakdown of assets by residual maturity

In thousands of euros	<= 1 month	> 1 month, <= 3 months	> 3 months, <= 1 year	> 1 year, <= 2 years	> 2 years, <= 5 years	> 5 years	Undetermined	Total
1 Financial assets held for transaction purposes	0	0	4,220	1,247	0	17,487	8,128	31,082
2 Financial assets at fair value through profit and loss	0	0	0	0	0	0	35,190	35,190
3 Derivatives used for hedging purposes (assets)	0	2,370	44,539	273,735	515,433	302,170	179,461	1,317,708
4 Available-for-sale financial assets	22,641	5,492	12,977	43,354	62,285	99,321	1,231,160	1,477,231
5 Loans and receivables (including lease financing contracts)	61,758	131,883	1,165,059	1,546,118	4,975,792	10,758,094	631,013	19,269,716
6 Held-to-maturity investments	0	24,256	29,005	45,039	177,794	413,993	1,664	691,751
Subtotal	**84,399**	**164,001**	**1,255,800**	**1,909,493**	**5,731,303**	**11,591,065**	**2,086,616**	**22,822,677**
Cash, due from central banks	11,518							11,518
Equity stakes in companies accounted for by the equity method							158,687	158,687
TOTAL	**95,917**	**164,001**	**1,255,800**	**1,909,493**	**5,731,303**	**11,591,065**	**2,245,303**	**22,992,882**

3.3.1.1.4 Total impaired loans and provisions by major counterparty category and major geographic zone

Impaired loans and writedowns recorded by counterparty category are presented in Note 4 to the financial statements "Receivables due from credit institutions and customers".

The Group's loans and receivables portfolio in gross and net values, with impaired assets separated out

In millions of euros	Outstandings	Writedowns	Outstandings net of writedowns
Foreign Countries			
Sovereign	7,543	72.2	7,470.8
Of which doubtful	*120.7*	*71.6*	*49.1*
Non-sovereign	6,582.3	451.7	6,130.6
Of which doubtful	*379.4*	*227.5*	*151.8*
French Overseas Departments and Collectivities			
Non-sovereign	3,651.5	7.4	3,644.1
Of which doubtful	*18.3*	*7.4*	*10.9*
Other outstanding loans	38.9		38.9
TOTAL	**17,815.7**	**531.3**	**17,284.5**
Of which doubtful	*518.4*	*306.6*	*211.9*

3.3.1.1.5 Reconciling of changes in provisions for impaired receivables

Note 10 "Provisions and Writedowns", in the notes to the financial statements, outlines the changes for each category of provisions and writedowns.

3.3.1.2 Credit risk: portfolios under the standard approach and regulatory weightings

AFD chose the standardised method to calculate the risks used to determine the capital adequacy ratio. The weightings applied depend on the ratings given to countries by external bodies (Coface for the AFD) and to the type of counterparty (third-party asset class).
The French regulator (ACP) chose option 1 for the weightings of French banks' banking counterparties.
The weightings applied by the Group are defined as follows:

Weighting used to calculate risks						
Rating	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated
Asset class						
Sovereign	0%	20%	50%	100%	150%	100%
Banks	20%	50%	100%	100%	150%	100%
Corporates	20%	50%	100%	100%	150%	100%

The application of weightings to AFD's credit risk results in the following weighted exposures:

Group credit risk: Portfolio subject to the standardised approach, by risk segment

In millions of euros

Total weighted exposures					
Risk weighting	Sovereigns and other institutions	Banks	Corporates	Equities	Total
0%					
20%	342	64	28	-	434
50%	543	2,679	97	-	3,318
100%	6,309	4,380	6,035	-	16,724
150%	996	478	472	1,281	3,227
TOTAL	**8,190**	**7,599**	**6,632**	**1,281**	**23,702**

3.3.1.3 Techniques for reducing credit risk

AFD tries to adequately hedge credit exposures to its non-sovereign customers by using guarantees.
There are two categories of guarantees:
- personal or equivalent guarantees: deposits, 1st demand guarantees, letters of intention and comfort letters, endorsements, etc.
- real guarantees: mortgages on real estate and securities, liens on businesses, securities, equipment or vehicles, assigned bank deposits, etc.

These guarantees are subject to periodic valuation in order to be taken into account in provisioning. This internal valuation considers the type of guarantee, the quality of the guarantor as well as the geographic region of operations.
Moreover, AFD records items guaranteed by the French State on its balance sheet and off-balance sheet.
In calculating its capital adequacy ratio, AFD recorded €2.161bn in personal guarantees, which break down as follows:
- €1.510bn in guarantees on balance sheet items that mainly consist of loans guaranteed by the French State;
- €651M in off-balance sheet items consisting of undisbursed amounts guaranteed by the French State.

3.3.1.4 Counterparty risk

Counterparty risk relating to financial activities

AFD uses derivatives to hedge interest rate and foreign exchange risks (see derivative exposure table above). Transactions are limited to counterparties that have signed framework agreements with French (AFB or FBF) or international (Isda) bodies. In addition, in 2012 AFD renegotiated collateral contracts with almost all of its active counterparties. These contracts are activated with no regard to rating and are triggered immediately and with no deductible upon reaching a certain threshold. AFD does not carry out credit derivative transactions.

Limit system

Counterparty risk on financial instruments is managed using a set of limits and management rules whose principles and main characteristics are set by the Board of Directors.
A unitary authorisation limit is set for a counterparty based on the counterparty's rating and AFD's capital.

3.3.1.5 Securitisation

AFD has no securitisation activity.

3.3.2 MARKET RISK

AFD's exposure to market risk is presented in Paragraph 2.9.4 Overall interest rate, foreign exchange, liquidity and market risks (page 32).
AFD does not have a speculative operations portfolio. However, it records in its trading book any non-deliverable or illiquid currency hedging instruments, forward hedging instruments and/or hedging instruments that have lost their hedging purpose. AFD's positions were below the thresholds applicable to capital requirements with regard to market risk.
The Group's overall net foreign-currency position subject to capital requirements at 31 December 2012 is €59M, primarily in dollars. It does not exceed the threshold of 2% of capital.

AFD is not exposed to market risk and does not include it when calculating its capital adequacy ratio and is not subject to any capital requirements in this regard.

3.3.3 OPERATIONAL RISK

Operational risk management within AFD Group (identifying and evaluating risks, rating risk management data, reporting, procedure for declaring operational incidents) is described in detail in Chapter 2.9 "Risk factors" (page 31).
The measurement and management of operational risk is incorporated in the permanent control system.

Operational risk assessment

When calculating its regulatory capital requirements for operational risk, AFD Group uses the foundation method, which relies on the benchmark index as defined in Article 358-1 of the decree of 20 February 2007 pertaining to capital requirements applicable to credit institutions and investment companies. Under the foundation method, capital requirements for operational risk are equal to 15% of the average of the benchmark index (Net Banking Income, excluding provisions and writedowns) smoothed over three years.

Capital requirements for operational risk

AFD's average NBI stood at €434 million for the last three financial years including 2012, and capital requirements for operational risk totalled €65.2 million at 31 December 2012.

3.3.4 EQUITIES

The methods for valuing and recording equity stakes held by the Group are presented in Paragraph 5.1 of the consolidated financial statements: 5.2 Notes "Financial assets and liabilities at fair value through profit and loss" and "Available-for-sale financial assets", page 67). The accounting principles for equity-accounted equity stakes are outlined in 5.2.2.1.2 "Consolidation methods" (page 66).
The summary table of equity stake exposure is provided in Paragraph 3.3.1.1.2 (page 50).
The amount of capital gains (losses) realised on disposals and liquidations during the period under review is presented in Note 14 to the financial statements.
Unrealised capital gains or losses are booked as equity under the heading "Unrealised or deferred capital gains/losses" in the financial statements.
There are no equity investments generating unrealised capital gains/losses in the Group's financial statements.
Capital requirements for this category of risk equalled €102.5M based on a risk-weighted amount of €1.2813bn.

3.3.5 INTEREST RATE RISK IN THE BANKING PORTFOLIO

Paragraph 5. 2 - 2 - C. "Interest Rate Risk" (page 81) describes this type of risk in detail.

4. CORPORATE GOVERNANCE

4.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

4.1.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

General Management

The Agency's management and administration operate under a Chief Executive Officer who is appointed by decree for a three-year term. The Chief Executive Officer represents and makes commitments on behalf of the institution. He appoints staff and sets employment conditions. He is authorised to grant all of the delegations necessary for the agency's operation. He carries out the duties that are delegated to him by the Board of Directors.

At 31 December 2012, the General Management[1] was composed as follows:

	AFD Position *appointment*	**Other mandates and positions**
Dov Zerah	Chief Executive Officer Decree published on 4 June 2010	Chairman of PROPARCO Alternate Director of EIB Non-voting Director of Oséo
Didier Mercier	Deputy Chief Executive Officer Memorandum of instruction AFD/DGL 54 of 15 November 2010	Vice Chairman of PROPARCO Chairman of Adetef

Board of Directors

In accordance with Article R.516-13 of the French Monetary and Financial Code, the Board of Directors includes the following members, aside from its Chairman:

- ✓ six representatives of the French State;
- ✓ four members appointed because of their knowledge of economic and financial issues;
- ✓ one member appointed because of his knowledge of ecological and sustainable development issues;
- ✓ four members of Parliament (two deputies and two senators). In accordance with the provisions in Act 2010-873 of 27 July 2010 concerning the French State's foreign activities and applicable to Agence Française de Développement, a second senator was appointed in 2011;
- ✓ two elected representatives of AFD's staff.

Each member of the Board of Directors is replaced by an alternate who is appointed under the same conditions as the permanent member in the event of a scheduling conflict or absence.

The Chairman of the Board of Directors is appointed by decree based on the report of the Minister in charge of the Economy, the deputy Minister to Development, the Minister in charge of the French Overseas Departments and Collectivities and the Minister in charge of the Immigration and Solidarity-based Development. The age limit applicable to the Chairman of the Board of Directors is 70 years of age. He casts the deciding vote in the event of a tie. If the Chairman is absent, he is replaced by the eldest of the six State representatives. The Board of Directors' members have a three-year term. However, the term on the Board of Directors of members of Parliament ends when they cease to be members of the assemblies to which they were elected. Members of the Board of Directors are not paid. However, the Chairman of the Board of Directors receives compensation, the amount of which is set by joint decree by the Ministers of the Economy, Development and the French Overseas Departments and Collectivities.

1. The Chief Executive Officer and the Deputy Chief Executive Officer are directors as defined in Article L511-13 of the French Monetary and Financial Code.

The Board of Directors at 31 December 2012:

Director	Term on the Board *appointment*	Address	Current position Other mandates
Pierre-André Périssol	Chairman Decree published on 22/06/2010 Start of term set as 25/06/2010	Agence Française de Développement – 5, rue Roland Barthes – 75598 Paris Cedex 12	**Chairman of AFD's Board** Former Minister Chairman of the municipality of Moulins Mayor of Moulins Chairman of the Supervisory Board of Moulins-Yzeure hospital Chairman of the association Ateliers maîtrise d'œuvre urbaine in Cergy
Representatives of the French State			
Delphine d'Amarzit	Permanent 07/10/2012	Ministry of the Economy and Finance – DGTPE – 139, rue de Bercy – 75572 Paris Cedex 12	**Department head of Multilateral Trade and Development** Director and French representative to the Bank of Central African States (BEAC)
Arnaud Buissé	Alternate 07/10/2012	Ministry of the Economy and Finance – DGTPE – 139, rue de Bercy – 75572 Paris Cedex 12	**Assistant head of Multilateral Financial Affairs and Development** Director and French representative to the Central Bank of West African States (BCEAO)
Denis Charissoux	Permanent 04/02/2011	Ministry of the Economy and Finance – 139, rue de Bercy – 75572 Paris Cedex 12	**Budget Department – Assistant head of 7th sub-department:** Agriculture - Foreign affairs and ODA - EU finances and policy - Foreign trade and State guarantees – sits on the Boards of Directors for the ONF, Institut français and the AEFE
David Knecht	Alternate 12/04/2012	Ministry of the Economy and Finance – Budget Department – 139, rue de Bercy – 75572 Paris Cedex 12	**Budget Department - Head of the Office of Foreign Affairs and Development Aid** Director: Campus France – Institut français – OFII - OFPRA - Adoma
Jean-Baptiste Mattei	Permanent 06/04/2012	Ministry of Foreign Affairs – Department of Globalisation, Development and Partnerships (DGMDP) – 27, rue de la Convention – CS 91533 – 75732 Paris Cedex 15	**Executive director of DGMDP** Director: France Volontaires (Association française des volontaires du progrès), British Institute in Paris, Bureau international de l'édition française, Campus France, Centre national des arts plastiques, Cirac (Centre d'information et de recherche sur l'Allemagne contemporaine), Commission nationale de la coopération décentralisée, École française d'Athènes, École française d'Extrême-Orient, École française de Rome, ENS (École normale supérieure), FEI (France Expertise internationale), Cannes Film Festival, AF (Alliance Française Foundation), France 24, IF (Institut français), Musée du Quai-Branly, RFI (Radio France internationale)
Elisabeth Barbier	Permanent 06/04/2012	Ministry of Foreign Affairs – 37, quai d'Orsay – 75700 Paris SP 07	**Assigned to other duties**
Jean-François Girault	Alternate 06/12/2012	Ministry of Foreign Affairs – 37, quai d'Orsay – 75700 Paris SP 07	**Head - North Africa and the Middle East**
Vincent Bouvier	Permanent 30/01/2010	Ministry of the French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	**Head of the delegation to the French Overseas Departments and Collectivities (DGOM)** Permanent member of the Board of Directors of the national broadcasting company France Télévisions Permanent member of the Supervisory Board of the Institut d'émission d'Outre-mer (IEOM)
Marc Del Grande	Alternate 29/01/2013	Ministry of the French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	**Assistant head responsible for the public policy department at the DGOM** Member of the Board of Directors for these institutions: Établissement français du sang Électricité de Mayotte Steering Committee for the Prevention of Major Risks Agence nationale de rénovation urbaine Société immobilière de La Réunion Société immobilière de Guadeloupe Conseil supérieur de l'aviation civile Formation cadre avenir Agence de développement rural et d'aménagement foncier Advisory Board on Fiscal Investment Assistance Government Commissioner at the Institut calédonien de participation
Francis Hurtut	Alternate 01/03/2012	Ministry of the Interior – 101, rue de Grenelle – 75323 Paris Cedex 07	**Head of International Affairs and Solidarity-based Development**

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Director	Term on the Board *appointment*	Address	Current position Other mandates
People appointed because of their knowledge of economic and financial issues			
Omar Kabbaj	Permanent 10/07/2010	57 Oulladia III – Rabat Souissi – Kingdom of Morocco	**Advisor to His Majesty the King of Morocco** Honorary Chairman of the African Development Bank Member of the UN Secretary General's Advisory Board on water and sanitation (UNSGAB)
Jean-Louis Mattei	Alternate 10/07/2010	Société Générale BHFM/DIR Tour Granite – 17, cours Valmy – 92800 Paris 7 La Défense 7	**Chairman of the Supervisory Board:** Société Générale Maroc, Casablanca, Maroc **Chairman of the Board of Directors:** SG de Banque aux Antilles, Pointe-à-Pitre SG Calédonienne de Banque, Nouméa **Director:** BRD – Groupe Société Générale, Romania SG de Banques au Sénégal, Senegal SG de Banques en Côte d'Ivoire SGBCI, Côte d'Ivoire SG de Banque au Liban SAL, Lebanon
Sylviane Jeanneney Guillaumont	Permanent 10/07/2010	La Gagère – 63190 Bort-l'Étang	**Emeritus professor at the University of Auvergne** Researcher at Cerdi
Guy Dupont	Alternate 10/07/2010	Fedom – Tour CIT – BP 196 – 3, rue de l'Arrivée – 75749 Paris Cedex 15	**Honorary Chairman of Fedom** **Chairman of:** SAS GVS, SAS ASR, SAS Ink-OI, GIP Gerri **Member of the Board of Directors of:** Bourbon SA, CBO SA, Sapmer SA, ART SA
Patrice Fonlladosa	Permanent 10/07/2010	Veolia Environnement – Strategic Partnerships Department – 38, avenue Kléber – 75016 Paris	**Head of Strategic Partnerships of Veolia Environnement** Chairman of VEIC (Veolia Environnement Ingénierie Conseil) Member of the African Board of Medef and CEPS (Centre d'études et de prospective stratégique) Non-voting Director of PROPARCO (AFD Group) Chairman of the (Re)sources Think Tank Veolia Environnement delegate for the Middle East and Africa Veolia Water Saudi Arabia Seureca Overseas SEEG (Société Energie Eau Gabon) VEOM (Veolia Environnement Maroc) VeBes Water Company Limited: Director and Chairman Seureca: Member and Chairman of the Board of Directors and Chief Executive Officer SNCM: Member of the Supervisory Board Moalajah: Director Veolia Water Jordan: Member of the Board Azaliya Water Services: Director
Pierre Arnaud	Alternate 10/07/2010	Compagnie fruitière 33, bd Ferdinand de Lesseps – BP 354 – 13309 Marseille Cedex 14	**Vice-Chairman of Compagnie fruitière** Vice-Chairman of the Chambre syndicale des importateurs de fruits (CSIF) Chairman of the CSIF banana department Director of CIAN - Conseil français des investisseurs en Afrique Chairman of the Board of Directors of Sofia - Société financière et agricole - Senegal Director of GDS - Grands Domaines du Sénégal - Senegal Director of GDM - Grands Domaines de Mauritanie - Mauritania Director of PHP – Plantations du Haut Penja - Cameroon Director of SBM – Société des Bananeraies M'Bomé - Cameroon Director of SCB – Société de la Culture de la Banane - Côte d'Ivoire Director of CFDM - Compagnie fruitière Distribution - Morocco Director of Compagnie fruitière UK - United Kingdom
Jean-Louis Vielajus	Permanent 29/03/2009	Coordination Sud 14, passage Dubail – 75010 Paris	**Chairman of Coordination Sud** Delegate of CFSI (French Committee for International Solidarity), a French not-for-profit organisation Member of the Committee for Strategic Partnerships at the Ministry of Foreign Affairs

The table continues on page 57

Director	Term on the Board *appointment*	Address	Current position Other mandates
Person appointed because of his knowledge of ecological and sustainable development issues			
Sébastien Genest	Permanent 25/07/2010	47, Le Bost – 87270 Couzeix	**Member of the Board of Directors of France Nature Environnement, Honorary Chairman** Vice Chairman of the Economic, Social and Environmental Board (CESE) Chairman of the CESE's environmental and nature group Member of Limousin Nature Environnement
Claude Truchot	Alternate 25/07/2010	4, avenue Didier – 94210 La Varenne-Saint-Hilaire	**Honorary Engineer - Génie Rural, des Eaux et des Forêts** Chairman of the Advisory Committee of Weather Service Networks (CCROM) to the Chairman and CEO of Météo France Member of the Chamber of Superintendents of Ile-de-France
Members of Parliament			
Michel Destot	Permanent 25/09/2012	Assemblée nationale – rue de l'Université – 75007 Paris	**Deputy for the Isère Department** Mayor of Grenoble Chairman of the Association des maires des grandes villes de France
Stéphane Demilly	Alternate 25/09/2012	Assemblée nationale – rue de l'Université – 75007 Paris	**Deputy for the Somme Department** Mayor of the town of Albert Chairman of the community of municipalities of Pays du Coquelicot
Noël Mamère	Permanent 25/09/2012	Assemblée nationale – rue de l'Université – 75007 Paris	**Deputy for the third Gironde constituency** Mayor of Bègles
Yves Nicolin	Alternate 25/09/2012	Assemblée nationale – rue de l'Université – 75007 Paris	**Deputy for the Loire Department** Member of the Board of Directors for AFA (French Adoption Agency)
Jean-Claude Peyronnet	Permanent 16/12/2011	Sénat – rue Vaugirard – 75006 Paris	**Senator for the Haute-Vienne Department** Member of the Haute-Vienne General Council Vice-Chairman of the commission sénatoriale des Affaires étrangères, de la Défense et des Forces armées Vice-Chairman of the délégation sénatoriale aux Collectivités territoriales et à la Décentralisation Member of the commission pour le Contrôle de l'application des lois Member of the Conférence nationale des services d'incendie et de secours Member of the Steering Committee for the Observatoire national de la délinquance et des réponses pénales
Christian Cambon	Alternate 16/12/2011	Sénat – rue Vaugirard – 75006 Paris	**Senator for the Val-de-Marne Department** Mayor of Saint-Maurice First Vice-Chairman of the community of municipalities of Charenton/Saint-Maurice First Vice-Chairman of the Syndicat des eaux d'Ile-de-France (Sedif)
Yvon Collin	Permanent	Sénat – rue Vaugirard – 75006 Paris	**Senator for the Tarn-et-Garonne Department**
Fabienne Keller	Alternate 16/12/2011	Sénat – rue Vaugirard – 75006 Paris	**Senator for the Bas-Rhin Department** Municipal Councillor for Strasbourg, Councillor for the Urban Community of Strasbourg Member of the Board of Directors of Andra Member of the Board of Directors of the Compagnie des transports de Strasbourg Member of the Board of Directors of Investissements d'avenir
AFD employee representatives			
Jean-Bernard Véron	Permanent 14/12/2010	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** Head of the unit for crisis prevention and conflict resolution – Chief Editor of the journal *Afrique Contemporaine* – Volunteer member of the Haiti Solidarity Committee at the Fondation de France
Denis Vasseur	Alternate 14/12/2010	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** Climate change policy officer - French Global Environment Facility (FFEM) Secretariat
Didier Simon	Permanent member as of December 2012 (replacement for J.-D. Naudet)	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** Expert policy officer/economist - FFEM

4.1.2 OPERATION OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Pursuant to Article R.516-14 of the French Monetary and Financial Code, the Board of Directors deliberates on the institution's strategies to implement the objectives entrusted by the State. It also approves the contractual targets and resources agreed with the State; the agreements referred to in Article R.516-7; financial aid as mentioned in Articles R.516-5, R.516-6 and R.516-6-1 and the rules provided for by this last article; agreements reached pursuant to the second, third, fourth and fifth Paragraphs of Article R.516-8; the annual amount of loans to be contracted by the Agency; the provisional statement of operating income and expenses; general aid conditions; the annual accounts and management report drawn up by the CEO; purchases and sales of buildings; the opening and closing of foreign offices or representation offices; transactions in the Agency's interests and compromissory clauses and the appointment of statutory auditors. The Board of Directors is informed of quality assessments, analyses and evaluations regarding the Agency and its operations.

The Board of Directors' operations are formally set out in the internal regulations, in accordance with Article R.516-15 II of the French Monetary and Financial Code. The internal regulations notably define the procedure for consultation of the Board's members by the Chairman, remotely or in writing, for urgent deliberations. This procedure at the least defines a minimum consultation time, quorum rules and the right of any member of the Board and the Government Commissioner to oppose this consultation procedure.

The Board of Directors may delegate a part of its powers, to the degree that it determines, to three specialised committees (for operations in the French Overseas Departments and Collectivities [DOM-TOM], for operations in foreign countries and for supporting the initiatives of non-governmental organisations). The specialised committee for activities in the French Overseas Departments and Collectivities includes three representatives of the French State, two of whom are appointed by decree of the Minister responsible for the French Overseas Departments and Collectivities, the third being appointed by decree of the Minister of the Economy. The specialised committee for activities in foreign countries includes five representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a further two of whom are appointed by the Minister of the Economy, the fifth being appointed by decree of the Minister of Immigration and Solidarity-based Development. The specialised committee for supporting the initiatives of non-governmental organisations includes four representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, one of whom is appointed by decree of the Minister of the Economy, the fourth being appointed by the Minister of Immigration and Solidarity-based Development. In addition, each specialised committee includes two qualified experts appointed by the Board of Directors (one of whom sits on the Board) and one of the staff representatives on the Board of Directors chosen by these representatives. These specialised committees may be supplemented by one or several members of the Board of Directors at its own discretion.

The specialised committee for operations in the French Overseas Departments and Collectivities and the specialised committee for operations in foreign countries are chaired by the Chairman of the Board of Directors. The specialised committee for supporting the initiatives of non-governmental organisations is chaired by the Chairman of the Board of Directors or by a member of the Board of Directors whom he appoints from among the representatives of the French State. For the members of specialised committees, other than the Chairman and the members of the Board of Directors, an alternate is appointed under the same conditions as the permanent member. The term limit for members of the specialised committees and the conditions for their possible replacement are the same as those set for the members of the Board of Directors. The specialised committees may decide to submit any business within their remit to the Board of Directors. In such cases, they give the Board their opinion on the business referred to it.

The Board of Directors may also delegate a part of its powers to the Chief Executive Officer, who reports back to the Board about the decisions that he made under this delegation. The Board of Directors appoints an Audit Committee composed of three to five qualified financial and risk analysts, one of whom is chosen from the Board. The Audit Committee provides its opinion of AFD's financial statements, the effectiveness of its internal control and the management of its risks, whenever necessary and at least once a year.

The Agency borrows over the short, medium and long term in France and abroad, either through financial organisations, or through issuing bonds, notes, securities or any other debt instrument. It performs all financial transactions required for its activities. The Agency's transactions are recorded in accordance with the rules concerning trade and in compliance with regulations governing credit institutions. A Government commissioner, appointed by the Minister in charge of the Economy, performs a role for the Agency that is defined by Article L.615-1 and Articles D.615-1 to D.615-8 of the French Monetary and Financial Code. Verification of the Agency's accounts is conducted by two statutory auditors appointed in application of the provisions of Article L.511-38 and Articles D.511-8 to R.511-14 of the French Monetary and Financial Code. The statutory auditors are bound by the obligations set out in Article L.511-38.

Article R516-15 of the French Monetary and Financial Code stipulates that the Board of Directors must meet at least four times a year when convened by its Chairman. During 2012, the Board of Directors and its Specialised Committees met 25 times.

5. ASSETS AND LIABILITIES, FINANCIAL POSITION AND INCOME

5.1 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS ACCOUNTING PRINCIPLES ADOPTED BY THE EUROPEAN UNION

Introduction

1. Overview

Agence Française de Développement is an industrial and commercial State public agency tasked with financing development assistance.
AFD funding amounts to €400M.
Registered office: 5, rue Roland Barthes – 75598 Paris Cedex 12
Listed on the Paris trade and companies register, under Number 775 665 599.

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 CNC recommendation 2004-R-03 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards.
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Commission. The IFRS standards include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations published by the International Financial Reporting Interpretations Committee (Ifric).
The main accounting standards used in the preparation of AFD's financial statements at 31 December 2012 are described in Note 5.2 - 1. (page 66).
These consolidated financial statements are presented in thousands of euros.

3. Change in accounting method for processing initial commissions paid or received for fair value hedges

On 1 January 2012, AFD changed its accounting method for recording non-zero value swaps involved in a fair value hedge. In prior financial years and without any clarification of IAS 39, the accumulated total of changes in fair value of the hedged component that is not zero at maturity was not specifically restated. This total change, which is close to the amount of initial commissions paid or received was effectively charged in its entirety to income for the financial year in which such transactions matured. Taking local practice into account, the Group decided to spread this amount over the remaining term of hedged items.
As a result of restating all transactions involved as at 1 January 2012, the Group recognised an impact on shareholders' equity of €20.4M at the beginning of the financial year (up by €1.1M in 2011 and down by €21.5M in previous financial years). Depreciation of hedged risk recorded in 2012 had a negative impact of €1.7M on income. A proforma statement for 2011 is provided in the financial statements.
The impact on prior years is summarised in the table below:

In thousands of euros

Depreciation of hedged risk	2006	2007	2008	2009	2010	Total
Loans and receivables to customers	-14,792	-3,240	-3,249	-3,240	-3,240	-27,761
Bonds	23	50	50	50	50	223
Subordinated debt	1,384	595	698	1,206	2,115	5,998
TOTAL	**-13,386**	**-2,595**	**-2,500**	**-1,984**	**-1,075**	**-21,540**

4. Standards applicable as at 31 December 2012

✓The standards and interpretations used in the financial statements as at 31 December 2012 were supplemented by provisions of IFRS standards as adopted by the European Union in 2012 and which must be applied for the first time to this financial year.

Standards, amendments or interpretations	Date adopted by the European Union	Effective date
Amendment to IAS 1 on the presentation of Other Comprehensive Income (OCI)	5 June 2012	31 December 2012
Amendment to IFRS 7 on disclosures - Transfer of financial assets	22 November 2011	31 December 2012

Implementing these new amendments had no material impact in the presentation of the financial statements.

✓Furthermore, whenever early adoption of standards and interpretations is optional, the Group has elected not to adopt them early unless specifically mentioned. In particular, this refers to:

Standards, amendments or interpretations	Date adopted by the European Union	Effective date
Revised IAS 19 on Employee Benefits	5 June 2012	1 January 2013

As of 1 January 2013, AFD will adopt the revised IAS 19. This change to the method for calculating provisions for employee commitments involves eliminating the use of the "corridor" approach and recognising the impact of discounting defined benefit plans directly in Other Comprehensive Income (OCI).

The initial recognition of provisions for employee commitments is expected to result in a €4.2M actuarial loss on Other Comprehensive Income (OCI).

✓Finally, the standards and interpretations published by the IASB but not yet adopted by the European Union will not come into force until they are adopted and have therefore not been implemented by the Group at 31 December 2012.

Balance sheet at 31 December 2012

In thousands of euros	Notes	31/12/2012 IFRS	31/12/2011 Proforma IFRS	IAS 8	31/12/2011 IFRS
Assets					
Cash, due from central banks		11,518	24,099		24,099
Financial assets at fair value through profit and loss	1	66,272	51,398		51,398
Hedging derivatives	2	1,317,708	1,038,071		1,038,071
Available-for-sale financial assets	3	1,477,231	932,929		932,929
Loans and receivables to credit institutions	4	4,494,434	3,640,984		3,640,984
Demand		*343,138*	*142,312*		*142,312*
Term		*4,151,296*	*3,498,672*		*3,498,672*
Loans and receivables to customers	4	14,775,283	12,284,730		12,315,731
Commercial receivables		*2,744*	*2,801*		*2,801*
Other loans to customers		*14,772,539*	*12,281,929*	*-31,001*	*12,312,930*
Overdrafts			-		
Credit-lease			-		
Revaluation difference on interest rate hedged portfolio		61,438	62,812		62,812
Held-to-maturity financial assets	3	691,751	686,714		686,714
Current tax assets			-		
Deferred tax assets		14,743	13,853		13,853
Accruals and other miscellaneous assets	5	43,976	42,959		42,959
Accruals		*34,822*	*30,039*		*30,039*
Other assets		*9,154*	*12,920*		*12,920*
Equity stakes in companies accounted for by the equity method	18	158,687	151,609		151,609
Property, plant and equipment	6	189,267	173,119		173,119
Intangible assets	6	15,211	12,346		12,346
TOTAL ASSETS		**23,317,519**	**19,115,623**	**-31,001**	**19,146,624**

The table continues on page 61

In thousands of euros	Notes	31/12/2012 IFRS	31/12/2011 Proforma IFRS	IAS 8	31/12/2011 IFRS
Liabilities					
Central banks					
Financial liabilities at fair value through profit and loss	1	114,548	134,689		134,689
Hedging derivatives	2	754,670	602,413		602,413
Debts to credit institutions	7	11,964	13,555		13,555
Demand		*2,899*	*3,274*		*3,274*
Term		*9,065*	*10,281*		*10,281*
Debts to customers	7	2,783	3,242		3,242
Special savings accounts		-	-		-
Of which demand			-		
Other debts		*2,783*	*3,242*		*3,242*
Of which demand		*2,783*	*3,242*		*3,242*
Of which term			-		
Debt securities	7	13,993,148	10,680,708		10,690,995
Short-term notes			-		
Interbank market securities		*300,000*	*400,313*		*400,313*
Bonds		*13,693,148*	*10,280,395*	*-10,287*	*10,290,682*
Revaluation difference on interest rate hedged portfolio			-		
Current tax liabilities			-		
Deferred tax liabilities		121	121		121
Accruals and other miscellaneous liabilities	5	1,929,863	1,408,653		1,408,653
Borrowing from French Treasury		*258,076*	*306,280*		*306,280*
Allocated public funds		*246,617*	*231,710*		*231,710*
Other liabilities		*1,425,170*	*870,663*		*870,663*
Provisions	10	611,916	565,627		565,627
Subordinated debt		3,190,186	3,084,984	-272	3,085,256
Total debts		**20,609,199**	**16,493,992**		**16,504,551**
Shareholders' equity attributable to the Group		**2,490,911**	**2,416,144**		**2,436,586**
Funding and related retained earnings		860,000	860,000		860,000
Consolidated retained earnings and other		1,478,629	1,470,982	-21,540	1,492,522
Gains and losses directly recognised in equity		57,605	18,750		18,750
Earnings for the period		94,677	66,412	1,098	65,314
Minority interests		**217,409**	**205,487**		**205,487**
TOTAL LIABILITIES		**23,317,519**	**19,115,623**	**-31,001**	**19,146,624**

Income statement at 31 December 2012

In thousands of euros	Notes	31/12/2012 IFRS	31/12/2011 Proforma IFRS	IAS 8	31/12/2011 IFRS
Interest and similar income	**12**	**1,101,633**	**898,167**		**898,167**
Transactions with credit institutions		282,290	259,024		259,024
Transactions with customers		405,324	322,621		322,621
Bonds and other fixed-income securities		47,839	37,559		37,559
Other interest and similar income		366,180	278,963		278,963
Interest and similar expenses	**12**	**933,889**	**743,460**		**743,460**
Transactions with credit institutions		319,841	244,617		244,617
Transactions with customers		32,771	33,110		33,110
Bonds and other fixed-income securities		356,090	274,752		274,752
Other interest and similar expenses		225,187	190,981		190,981
Commissions (income)		**59,399**	**55,549**		**55,549**
Commissions (expenses)		**2,285**	**1,954**		**1,954**
Net gains or losses on financial instruments at fair value through profit or loss	**13**	**47,122**	**-73,931**	**1,098**	**-75,029**
Net gains or losses on available-for-sale financial assets	**14**	**16,875**	**18,551**		**18,551**
Income on other activities	**15**	**211,555**	**252,650**		**252,650**
Expenses on other activities		**75,586**	**14,170**		**14,170**
Net banking income		**424,824**	**391,402**	**1,098**	**390,304**
Overhead costs		**263,885**	**254,872**		**254,872**
Staff costs	*16*	*170,267*	*166,437*		*166,437*
Other administrative expenses		*93,618*	*88,435*		*88,435*
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	**6**	**14,138**	**13,086**		**13,086**
Gross operating income		**146,801**	**123,444**	**1,098**	**122,346**
Cost of risk	**17**	**-22,261**	**-40,433**		**-40,433**
Operating income		**124,540**	**83,011**	**1,098**	**81,913**
Share of earnings from companies accounted for by the equity method	**18**	**4,459**	**3,270**		**3,270**
Net gains or losses on other assets		**81**	**-1,705**		**-1,705**
+/- Change in value of acquisitions					
Pre-tax income		**129,080**	**84,576**	**1,098**	**83,478**
Corporate tax	**19**	**-17,093**	**-8,827**		**-8,827**
Net income from discontinued or discontinuing activities					
NET INCOME		**111,987**	**75,749**	**1,098**	**74,651**
Minority interests		**-17,310**	**-9,337**		**-9,337**
NET INCOME, GROUP SHARE		**94,677**	**66,412**	**1,098**	**65,314**

Net income and gains and losses booked directly as equity at 31 December 2012

In thousands of euros	31/12/2012 IFRS	31/12/2011 Proforma IFRS	IAS 8	31/12/2011 IFRS
Net income	**111,987**	**75,749**	**1,098**	**74,651**
Item that may be recognised on the income statement				
Revaluation of available-for-sale financial assets (net of tax)	40,608	2,880		2,880
Total gains and losses booked directly as equity	**40,608**	**2,880**	**0**	**2,880**
Net income and gains and losses booked directly as equity	**152,595**	**78,629**	**1,098**	**77,531**
Of which Group share	135,048	68,924		67,826
Of which minority interests	17,547	9,706		9,706

Cash flow at 31 December 2012

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Pre-tax income (A)	**113,754**	**74,141**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	13,864	13,662
Impairment of goodwill and other fixed assets		
Net allocations to provisions (including technical insurance provisions)	66,971	83,464
Share of earnings from companies accounted for by the equity method	-4,459	-3,270
Net loss/(net gain) on investment activities	-10,990	-11,301
Net loss/(net gain) on financing activities	0	0
Other items	-97,919	124,334
Total non-cash items included in net pre-tax income and other items (B)	**-32,532**	**206,889**
Cash received from credit institutions and equivalent	-741,620	-222,722
Cash received from customers	-2,397,600	-2,225,304
Cash flows from other operations affecting other financial assets or liabilities	2,799,246	1,924,622
Cash flows from operations affecting non-financial assets or liabilities	532,279	-53,956
Taxes paid	-12,270	-17,433
= Net increase (decrease) in cash related to assets and liabilities generated by operating activities (C)	**180,036**	**-594,793**
Net cash flows from operating activities (A + B + C)	**2261,258**	**-313,763**
Cash flows from financial assets and equity stakes	-83,854	463,264
Cash flows from property, plant and equipment and intangible assets	-32,181	-31,394
Net cash flows from investment activities	**-116,035**	**431,870**
Cash flows to or from shareholders	-58,103	-100,386
Other net cash flows from financing activities	101,501	61,729
Net cash flows from financing activities	**43,397**	**-38,657**
Net increase (decrease) in cash and cash equivalents	**188,620**	**79,450**
Opening balance of cash and cash equivalents	**163,137**	**83,687**
Net balance of cash accounts and accounts with central banks	24,099	83,544
Net balance of term loans and deposits from credit institutions	139,038	143
Ending balance of cash and cash equivalents	**351,757**	**163,137**
Net balance of cash accounts and accounts with central banks	11,518	24,099
Net balance of term loans and deposits from credit institutions	340,239	139,038
Change in cash and cash equivalents	**188,620**	**79,450**

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

Statement of changes in shareholders' equity from 31 December 2010 to 31 December 2012

In thousands of euros	Funding	Funding reserves	Consolidated reserves	Income for the period	Unrealised or deferred gains or losses	Shareholders' equity
Consolidated equity at 31 December 2010 (IFRS)	**400,000**	**460,000**	**1,455,565**	**98,891**	**16,165**	**2,430,621**
Share of 2010 earnings retained in reserves			28,304	-28,304		0
Dividends paid				-70,587		-70,587
Other changes			8,653			8,653
Earnings in 2011				65,314		65,314
Gains or losses directly recorded in consolidated equity for 2011					2,585	2,585
Consolidated equity at 31 December 2011 (IFRS)	**400,000**	**460,000**	**1,492,522**	**65,314**	**18,750**	**2,436,586**
Share of 2011 earnings retained in reserves			10,196	-10,196		0
Dividends paid				-55,118		-55,118
Other changes			-24,089			-24,089
Earnings in 2012				94,677		94,677
Gains or losses directly recorded in consolidated equity for 2012					38,855	38,855
Consolidated equity at 31 December 2012 (IFRS)	**400,000**	**460,000**	**1,478,629**	**94,677**	**57,605**	**2,490,911**

5.2 NOTES TO THE FINANCIAL STATEMENTS

5.2.1 HIGHLIGHTS

5.2.1.1 Financing of the Group's activity

To finance the growth in its loan activity on its own behalf, in 2012, AFD made 9 bond issuances in the form of public or private issues with a total volume of €5 billion.

5.2.1.2 AFD's interest in Oséo

In accordance with the approval granted by the Board of Directors and confirmed by Ministry order on 21 March 2012, AFD is authorised to subscribe to Oséo SA's capital increase up to 624,252 shares, representing 0.56% of said capital, for an amount totalling €17.3M. This subscription to the first stage of the capital increase, representing 312,126 shares, took place on 28 March 2012 for €8.6M.

5.2.1.3 Property investment

In accordance with the authorisation given by the Board of Directors at its meeting on 5 November 2009, on 15 April 2010 AFD invested in property to increase the surface area of its head office.

The building, named "Le Mistral", is located at 20, boulevard Diderot (12th district of Paris) and has a surface area of 5,975m^2. It was purchased on a pre-sale basis for €71.76M including VAT.

In accordance with its initial commitment, the building was officially completed and delivered in February 2012. Interior design work was carried out at AFD's expense during the financial year.

The entire Corporate Secretariat moved to the new building on 17 December 2012.

5.2.2 PRINCIPLES AND METHOD APPLIED TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2012

The consolidated financial statements for the financial year 2012 were approved on 25 April 2013 by the Board of Directors.

5.2.2.1 Consolidation scope and methods

5.2.2.1.1 Consolidation scope

AFD's consolidated financial statements cover all fully-controlled enterprises, joint ventures and companies on which the Institution exerts a notable influence, except for those whose consolidation is insignificant for the Group's consolidated financial statements.

The following are not included in the consolidation scope:

- ✓ companies of no real significance;
- ✓ foreign companies in which AFD has a long-held investment, on account of the difficulty in obtaining their accounts in a timely manner and in the format required, and because AFD's influence is insignificant due to the companies being either fully or partially state-owned.

The list of companies in which AFD directly or indirectly holds equity stakes that exceed 20% of the companies' capital is presented in the following table[1].

1. The percentage of control represents the degree of influence that the parent company has over the decisions of companies in which it holds shares. This determines the method of consolidation. The percentage of interest represents the parent company's rights over the equity of the consolidated company. It is used as a basis for consolidation calculations.

In thousands of euros	Localisation	% control 2011	% control 2012	% interest 2011	Balance sheet total	Contribution to earnings[1]
AFD					**22,872,950**	**73,256**
Fully consolidated companies						
Soderag	West Indies	100	100	100	9,006	-5
PROPARCO	Paris	57.43	57.43	57.43	3,405,357	23,396
Sogefom - AFD share	Paris	58.69	58.69	60	42,335	46
Sogefom - Socredo share	Paris	3.76	3.76			
Fisea	Paris	100	100	100	94,668	-6,386
Propasia	Hong Kong	100	100	57.43	6,758	-88
Companies accounted for by the equity method						
Non-financial companies						
Société immobilière de Nouvelle-Calédonie	New Caledonia	50	50	50	749,979	740
Société immobilière de la Martinique	Martinique	22.27	22.27	22.27	541,923	1,791
Financial companies						
Banque Socredo	Polynesia	35	35	35	2,000,002	1,927
Other equity stakes						
Foreign public or parapublic stakes						
Société financière algérienne et européenne de participation (Finalep)	Algeria	28.73	28.73	28.73	7,986	
Gari (Fonds de garantie des investissements privés en Afrique de l'Ouest)	Togo	27.01	27.01	27.01	41,316	
Banque nationale de dévelopement agricole	Mali	22.67	22.67	22.67	371,107	
Banque de développement des Seychelles	Seychelles	20.41	20.41	20.41	33,155	
Société de gestion et d'exploitation de l'aéroport de Conakry G'Bessia	Guinea	20	20	20	16,331	
PROPARCO's foreign interests						
Tunisie Sicar	Tunisia	20	20	20	1,728	
Upline Technologies	Morocco	20	20	20	398	
BOA RDC	DRC	20				
CFUB	Tanzania	20	20	20	95,628	
BIMR	Djibouti	20	20	20	269,354	
Averroes Finance	Multi-country	34.25	34.25	34.25	15,057	
Averroes Finance II	Multi-country	50	50	50	3,369	
Central Africa Growth Fund	Multi-country	24.47	24.47	24.47	22,826	
I & P Capital (Indian Ocean) Ltd	Multi-country	20	20	20	2,170	
CMAR	Mauritius	20	20	20	38,610	
BNP Paribas	Mauritania	20				
Fegace Asia sub fund	Multi-country	20	20	20	12,949	
IT Holding	Egypt	24.30				
Vietnam Debt Fund	Multi-country	26.84	26.84	26.84	15,365	
Wadi Holding	Multi-country	35.29	35.29	35.29	6,470	
Attijari Bank	Mauritania		20	20	109,581	
Seaf India Agribusiness International Fund	India		32.68	32.68	2,540	
TPS (D) Limited	Tanzania		24.50	24.50	21,275	
Unimed	Tunisia		26	26	20,613	
French companies whose balance sheet total is not significant						
Retiro participations - PROPARCO share	Paris	99	99	99	8	
CONSOLIDATED INCOME						**94,677**

1. Before elimination of intragroup operations.

5.2.2.1.2 Consolidation methods

The following consolidation methods are used:

✓ Full consolidation

All accounts are included item by item, both on AFD's balance sheet and off-balance sheet while taking into account the rights 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.
At 31 December 2012, the company's capital totalled €485.33M and AFD's stake was 57.43%.
- The Société de développement régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State. It was liquidated in 1998 after it lost its licence to operate as a credit institution.
At 31 December 2012, the company's capital amounted to €5.6M. AFD holds 100% of its capital.
- The Société de gestion des fonds de garantie d'Outre-mer (Sogefom), whose shares AFD bought back from the Institut d'émission d'Outre-mer (IEOM) on 12 August 2003, at the behest of the Ministry of the Economy, Finance and Industry and the Ministry of the French Overseas Departments and Collectivities.
At 31 December 2012, the company's capital amounted to €1.1M. AFD holds 58.69% of its capital.
- The Fonds d'investissement et de soutien aux entreprises en Afrique (Fisea), which provides support to African businesses, was created in April 2009. This simplified joint-stock company has share capital of €60M and is 100% owned by AFD. PROPARCO holds a single share. Fisea 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 USD 10M in capital. It is a wholly-owned subsidiary of PROPARCO. At 31 December 2012, 36% of its capital, i.e. USD 3.6M, was fully paid up.

✓ The equity method

This method values equity stakes by taking the company's net position and calculating a share of its restated income according to the stake held in its capital.

At 31 December 2012, this method was used for three companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which it exerts a significant influence: Société immobilière de Nouvelle-Calédonie (SIC), Société immobilière de la Martinique (Simar) and Socredo.

✓ Comments on other companies

AFD also has stakes 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 in "available-for-sale financial assets".

5.2.2.1.3 Restatement of internal operations

✓ Elimination of reciprocal transactions

For fully-consolidated companies, the following were eliminated:

- inter-company balance sheet account balances (loans, borrowings, deposits, etc.);
- income and expense balances (interest and related income and expenses, various services, etc.);
- inter-company dividends (these were also eliminated for equity-accounted companies);
- early repayment compensation: compensation paid to AFD by subsidiaries that repay their loans early have been restated in the accounts of the subsidiaries concerned to align the methods they use to spread this compensation with those of AFD.

✓ Elimination of internal writedowns

Internal writedowns of stakes in all subsidiaries and of the receivables of fully-consolidated subsidiaries were eliminated at AFD level.

1. Accounting principles and methods

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated accounts and applicable in line with the Group's principles by entities consolidated by AFD.
The main evaluation and presentation rules used in preparing AFD's financial statements at 31 December 2012 are described below.

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 account closing date. 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 in "financial assets at fair value through profit and loss" and in equity if the asset is classified in "available-for-sale financial assets".

Use of estimates

Some items booked in the consolidated financial statements require the use of estimates made from available information. These estimates are mainly used for the fair value measurement of financial instruments, writedowns and provisions.

This is particularly the case for:

✓ collective writedowns calculated either on the basis of percentages of outstandings determined from past losses, or based on a homogenous portfolio of counterparties determined by quantitative and qualitative analysis looking at past losses, the macro-economic situation and the estimated residual loss;

✓ some financial instruments that are valued using complex mathematical models or by discounting future cash flows.

Financial assets and liabilities

When they are initially recorded, financial assets and liabilities are marked to market. Financial assets and liabilities are classified in one of the following categories:

✓ Loans and receivables

Loans and receivables are initially booked at market value, which is generally 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 there is objective evidence that an event has occurred after the loan was granted that may generate a measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of a subsequent reversal of the impairment is booked under net banking income.

✓ Financial assets and liabilities at fair value through profit and loss

This heading mostly includes equity stakes in the venture capital funds over which PROPARCO has significant influence. They are valued at fair value based on the financial statements (6 months) transmitted by the entities concerned. The fair value is equal to either a share of the revalued net assets with the possibility of a discount, or the stock market price if the company is listed, and to the restatement of movements occurring between the date of the financial statements and the closing date.

This item also includes foreign-exchange or interest-rate derivatives used as financial hedges but that do not meet the definition of hedge accounting given by standard IAS 39. 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 offset 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.

✓ Held-to-maturity financial assets

This category includes fixed income assets with a fixed maturity, which AFD has the intention and the ability to hold to maturity.

These are recorded at their amortised cost using the effective interest rate method, which includes amortisation of premiums and discounts. Available-for-sale securities are impaired through profit and loss if there is objective evidence of lasting impairment from events arising post-acquisition. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

✓ Available-for-sale financial assets

These are financial assets held for an indeterminate period that AFD may sell at any time. By default, these are any assets that do not fall into one of the two categories listed above. Equity stakes held by AFD are mostly classified in this category.

These financial assets are initially measured at their fair value. The fair value used is the price of the security if traded on an active market. In the absence of such a market, the share of the net position weighted by an uncertainty discount is used. Changes in fair value are recorded directly in equity.

Available-for-sale securities are impaired through profit and loss if there is objective evidence of lasting impairment from events arising post-acquisition.

✓ Debt

Debt securities are initially recorded at their issue value net of fees, then measured at their 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.

✓ Hedging derivatives

AFD uses fair-value hedge accounting as defined by IAS 39. This covers hedging of changes in the fair value of an asset or liability recorded on the balance sheet. Changes in the fair value of the item hedged 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 efficiency 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 of interest-rate hedged portfolios" in the case of a portfolio hedging relationship.

If the hedge does not meet the effectiveness requirements of IAS 39, the hedging derivatives are transferred to "financial assets at fair value through profit 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 hedged component that are not zero is spread out over the remaining term of hedged items.

Commitments to buy back minority interests

In 2008, the Group committed to buy back the stakes of the minority shareholders in PROPARCO, a fully-consolidated subsidiary, for a total of €211M. In 2012, the commitment amount totalled €246M.

The options may be exercised by minority shareholders for a period of 5 years (until 2018) following a lock-in period of 5 years (from 2008 to 2013).

The strike price is contractually defined and is equal to the revalued net assets on the exercise date.

These optional buy-back commitments were recorded as follows in 2012:

✓ in application of IAS 32, the Group has recorded a debt for put options awarded to shareholders. This liability of €79.3M was initially booked at the strike price estimated on the exercise date, classified in "other liabilities";

✓ consequently, the counterpart of this liability is a writedown in value of "minority interests" in the amount of €64.5M, i.e. the share

of PROPARCO's net position valued at 31 December 2012, the remainder being subtracted from "Consolidated reserves, Group share", in other words €14.8M;
- ✓if the buyback is carried out, the liability is settled by the cash payment linked to the acquisition of minority interests. However if, when the commitment reaches its term, the buyback has not occurred, the liability is written off against the minority interests and the Group's consolidated reserves.

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 packages, layout and fittings	15 years
5.	Various fittings	10 years

Other tangible assets are depreciated using the straight-line depreciation method:
- ✓office buildings in the French Overseas Departments and Collectivities are depreciated over fifteen years;
- ✓residential buildings are depreciated over fifteen years;
- ✓fixtures, fittings and furnishings are depreciated over five or ten years;
- ✓equipment and vehicles over two to five years.

Regarding intangible assets, software is depreciated according to its type: no more than five years for management packages and two years for office tools.
Depreciation is calculated using the straight-line method, according to the expected depreciable 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.

Provisions

Provisions are recorded if it is likely that resources representative of economic benefits will have to be withdrawn 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 "relating to the booking of provisions for sovereign loans[1] granted by AFD on its own behalf" was signed on 30 December 2010 (with retroactive effect as from 1 July 2009) between AFD and the French State for an indefinite period. This agreement provides for shared provisions to be made, whose amount is topped up by the State.
  These provisions are not based on a credit risk analysis but reflect AFD's commitment to pay the State an amount equivalent to these provisions as a result of debt transactions. Net reversals of provisions and payments to the State are recorded in Net Banking Income.

- ✓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.

- ✓Provisions for employee commitments

  Post-employment benefits

  The discount rate used is equal to the IBOXX rate (for AA-rated businesses at maturities greater than ten years), which was around 3% at the end of 2012, plus the yield spread between a 12-year OAT (French Treasury bond) and an 18-year OAT, which was approximately 50bp.

1. In other words granted to States or with their approval.

➢ *Defined benefit plans*

✓ Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all outsourced to an 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:

Discount rate 3.5%
Annual increase in salary: 3%
Retirement age: .... 62 years

✓ End-of-career payments and financing of the health insurance plan

AFD pays its employees compensation at the end of their careers (IFC). It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:

Discount rate 3.5%
Annual increase in salary 3%
Retirement age .... 62 years
Deaths .... TGH 05/TGF 05

In accordance with IAS 19, these commitments (end-of-career pay-outs and financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of the commitments provisioned is determined using the projected unit credit method.

At each closing, the retirement commitments borne by AFD are re-valued and compared with the value of the insurance policies.

In line with the option given by IAS 19 until 31 December 2012, AFD chose to use the corridor method, applicable to post-employment plans.

Actuarial differences are subject to deferred amortisation and are not immediately recognised in profit and loss.

The provisions made at 31 December 2012 total €3.304M and are recognised in staff costs.

➢ *Other long-term benefits*

AFD awards its employees with bonuses for long-time service.

The changes in commitments over 2012 are shown in the table below:

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Service award
Change in discounted value of the commitment				
Discounted value of the commitment at 1 January	**104,543**	**43,416**	**10,133**	**487**
Financial cost	3,657	2,243	521	24
Cost of services rendered over the year	1,585	1,449	722	55
Reductions/Liquidations				
Services paid	-13,001	-1,377	-746	-71
Actuarial losses (gains)	2,495	13,424	1,569	61
Discounted value of the commitment at 31 December	**99,279**	**59,155**	**12,199**	**556**
Change in fair value of assets of retirement plan				
Fair value of assets at 1 January	**112,253**			
Expected return on assets	4,670			
Services paid	-13,001			
Actuarial losses (gains)	-3,282			
Liquidations				
Fair value of assets at 31 December	**100,640**			
Corridor limits				
Actuarial gains (losses) not recognised at 1 January	**10,601**	**4,265**	**1,743**	**0**
Corridor limits at 1 January	11,225	4,342	1,013	49
Actuarial gains (losses) generated over the year	-5,777	-13,424	-1,569	-61
Actuarial losses (gains) recognised	0	0	-81	61
Actuarial gains (losses) not recognised at 31 December	**4,824**	**-9,159**	**93**	**0**

The table continues on page 70

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Service award
Amounts recognised on the balance sheet at 31 December				
Discounted value of the financed commitment	**99,279**			
Discounted value of the non-financed commitment		59,155	12,199	556
Net position	-1,361			
Gains (losses) not recognised	4,824	-9,159	93	
Balance sheet provision	**3,463**	**49,996**	**12,292**	**556**
Amounts recognised on the income statement at 31 December				
Cost of services rendered in 2012	1,585	1,449	722	55
Financial cost in 2012	3,657	2,243	521	24
Actuarial losses (gains) recognised	0	0	-81	61
Expected return on assets of retirement plan	-4,670			
Cost of services rendered				
Impact of reductions/liquidations				
Expenses booked	**572**	**3,692**	**1,162**	**140**
Reconciliation of opening and closing net liability				
Liability at 1 January	**2,891**	**47,681**	**11,876**	**487**
Expenses booked	572	3,692	1,162	140
Contributions paid	0			
Employer contributions	0	-1,377	-746	-71
Net liability at 31 December	**3,463**	**49,996**	**12,292**	**556**

The commitments forecast at 31 December 2012 are as follows:

Actuarial debt at 31 December 2012	**99,279**	**59,155**	**12,199**	**556**
Cost of services rendered in 2013	841	2,383	928	65
Financial cost in 2013	3,504	2,154	448	20
Services payable in 2013/transfer of capital upon departures in 2013	-30,814	-1,432	-621	-72
Estimated debt at 31 December 2013	**72,810**	**62,260**	**12,954**	**569**

Writedowns of loans and receivables

Writedowns of loans and receivables are recognised when there is clear evidence that a loan or receivable, or a portfolio of loans, has been impaired. Writedowns are therefore calculated on an individual basis.

✓ Individual writedowns

Loans for which the rating system indicates that there is a proven risk (even if the loan is not in arrears) are analysed on a case-by-case basis, in order to calculate an individual impairment. The writedown is equal to the difference between the book value of the loan (outstanding capital plus unpaid or accrued interest) and the sum of estimated future cash flows discounted at the effective interest rate. The recovery rate of future instalments is determined by the Risk Committee, and any guarantees are automatically booked alongside the final instalment. Guarantees include mortgages on land and buildings, deposits, endorsements and liens.

✓ Collective writedowns

Loans written down on a collective basis consist of all of the Group's non-sovereign loans in foreign countries that are not written down on an individual basis

AFD writes down "homogeneous portfolios" for the private and public financial sectors and the water-electricity and transport sectors, whose amounts and any changes are determined based on qualitative and quantitative analyses (see Paragraph 5.2. - 1. "Use of estimates" page 66). Note that PROPARCO has only one financial portfolio and three "corporate" portfolios (telecoms, energy and transport). Residual outstandings were written down based on past losses, for whatever reason, for asset classes by borrower class and type of country.

Given the events at the end of 2010, AFD booked specific collective writedowns and provisions due to the political instability in the Mediterranean Basin and the political instability and the economic crisis in Côte d'Ivoire. At 31 December 2012, these provisions were partially written down by €12.6M, leaving a balance of €22.1M.

Subordinated debt

In 1998, an agreement was reached with the French State whereby part of AFD's debt towards 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).
On 31 December 2012, subordinated debt amounted to €3.1bn, of which €2.3bn is towards the Treasury.

Deferred taxes

To produce the consolidated financial statements, deferred tax was calculated on a per-company basis, respecting the rule of symmetry and using the comprehensive liability method. This method was applied to the temporary disparity, in each company, between taxable income and the book result, as well as to the adjustments made upon consolidation.

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 given internally to the Chief Executive Officer, who is AFD's main operating decision-maker.
As part of its public service mission of financing development aid, AFD Group's main activity consists of lending and providing subsidies.

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 complies with CNC Recommendation 2004-R-03 relating to the format of the summary documents of companies that report to the Comité de réglementation bancaire et financière.
It is prepared using the indirect method, with annual income restated for non-monetary items that include 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 outflows, such as accrued liabilities and income.
Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the annual accounts for the preceding and current financial years.
Equity transactions (excluding income) are neutral.
Cash flow includes cash funds and demand deposits held at the Banque de France and with credit institutions.

2. Notes to the financial statements at 31 December 2012

A. Notes to the balance sheet

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

	31/12/2012 IFRS			31/12/2011 IFRS		
In thousands of euros	Assets	Liabilities	Notional/ outstanding	Assets	Liabilities	Notional/ outstanding
Interest rate derivatives	1,794	32,600	1,866,219	3,215	24,504	759,910
Foreign exchange derivatives	29,288	81,948	2,229,164	13,412	110,185	1,405,014
Assets/liabilities at fair value on option	21,216		25,000	18,878		25,000
Securities at fair value through P&L	13,975		13,837	15,893		15,815
TOTAL	**66,272**	**114,548**		**51,398**	**134,689**	

Note 2 – Financial hedging derivatives

In thousands of euros	31/12/2012 IFRS			31/12/2011 IFRS		
	Expenses	Income	Notional	Expenses	Income	Notional
Fair value hedging						
Interest rate derivatives	857,694	459,722	11,745,122	366,004	309,352	8,376,357
Interest rate and foreign exchange derivatives (cross-currency swaps)	460,014	294,948	6,870,784	672,067	293,060	6,499,773
TOTAL	**1,317,708**	**754,670**		**1,038,071**	**602,413**	

Note 3 –Financial investments

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Available-for-sale financial assets		
Government paper and equivalent	698,793	259,349
Bonds and other fixed-income securities	10,332	10,390
Equity stakes in affiliated companies		
Equity stakes and other long-term securities	794,989	690,665
Of which UCITS	*43,346*	*40,888*
Subtotal	**1,504,114**	**960,404**
Fair value adjustments of securities hedged by hedging derivatives		
Impairment	**-26,883**	**-27,475**
Total available-for-sale financial assets	**1,477,231**	**932,929**
Held-to-maturity financial assets		
Government paper and equivalent	577,619	572,103
Bonds and other fixed-income securities	114,132	114,611
Subtotal	**691,751**	**686,714**
Impairment		
Total held-to-maturity financial assets	**691,751**	**686,714**
TOTAL FINANCIAL INVESTMENTS	**2,168,982**	**1,619,643**

Note 4 – Receivables due from credit institutions and customers

	31/12/2012 IFRS		31/12/2011 IFRS	
In thousands of euros	Demand	Term	Demand	Term
Loans to credit institutions		**4,044,550**		**3,394,609**
Performing outstanding		4,043,608		3,390,114
Impaired outstanding		942		4,495
Depreciation/amortisation		**-54,557**		**-54,537**
Impairment of individual receivables		-487		-37
Impairment of groups of homogeneous assets		-54,070		-54,500
Related receivables		**21,069**		**18,781**
Valuation adjustments of loans hedged by financial futures		**40,235**		**39,698**
Subtotal		**4,051,297**		**3,398,551**
Loans to customers		**14,687,238**		**12,342,358**
Performing outstanding		14,163,392		11,835,111
Impaired outstanding		523,846		507,247
Depreciation/amortisation		**-476,635**		**-453,876**
Impairment of individual receivables		-304,261		-297,388
Impairment of groups of homogeneous assets		-172,374		-156,488
Related receivables		**49,050**		**41,805**
Valuation adjustments of loans hedged by financial futures		**515,629**		**385,444**
Subtotal		**14,775,282**		**12,315,731**
TOTAL LOANS		**18,826,579**		**15,714,282**
Other receivables				
Deposits (free cash) at credit institutions	342,626	100,000	141,916	100,000
Related receivables	512		396	121
TOTAL OTHER RECEIVABLES	**343,138**	**100,000**	**142,312**	**100,121**
TOTAL LOANS AND OTHER RECEIVABLES	**343,138**	**18,926,579**	**142,312**	**15,814,403**

The fair value of guarantees used to calculate individual writedowns totalled €18.5 million (€7.9 million at 31 December 2011).

Note 5 – Accruals and miscellaneous assets

	31/12/2012 IFRS		31/12/2011 IFRS	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
French Treasury		258,076		306,280
Allocated public funds		246,617		231,710
Other assets and liabilities	43,976	1,105,515	42,959	578,534
Account payable, French State		319,655		292,129
TOTAL ACCRUALS AND MISCELLANEOUS ASSETS/LIABILITIES	**43,976**	**1,929,863**	**42,959**	**1,408,653**

Note 6 – Property, plant and equipment and intangible assets

In thousands of euros	Fixed assets				Total
	Property, plant and equipment			Intangible	
	Land & developments	Construction & developments	Other		
Gross value					
At 1 January 2012	69,019	176,011	48,307	60,507	353,844
Acquisitions	31	20,549	4,562	8,166	33,308
Disposals/removals	0	-30	-1,579	0	-1,609
Other items	17,948	-17,938	-14	0	-4
Change in scope					0
At 31 December 2012	**86,998**	**178,592**	**51,276**	**68,673**	**385,539**
Depreciation/amortisation					
At 1 January 2012	2,153	82,462	35,603	48,161	168,379
Provisions	51	4,513	4,273	5,301	14,138
Reversals		-18	-1,438	0	-1,456
Other items		-1	1	0	0
Change in scope					0
At 31 December 2012	**2,204**	**86,956**	**38,439**	**53,462**	**181,061**
NET VALUE	**84,794**	**91,636**	**12,837**	**15,211**	**204,478**

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

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Debts to credit institutions		
Demand debts	2,903	3,276
Term debts	8,843	10,230
Related debts	218	49
Total debts to credit institutions	**11,964**	**13,555**
Debts to customers		
Accounts payable, customers	2,782	3,233
Related debts	1	9
Total debts to customers	**2,783**	**3,242**
Debt securities		
Interbank market securities	300,000	400,313
Bonds	12,726,268	9,742,300
Related debts	210,085	144,055
Adjustments in the value of derivative-hedged debt securities	756,795	404,327
TOTAL DEBT SECURITIES	**13,993,148**	**10,690,995**

In 2012, AFD made two bond issuances in foreign currencies under the following conditions (before swapping into euros):
- ✓JPY 15 billion (or €132M[1]) at 0.75% maturing in 2013;
- ✓USD 1 billion (€758M) at 1.625% maturing in 2017.

And seven bond issuances in euros under the following conditions:
- ✓€1 billion at the 6-month Euribor rate + 0.90% maturing in 2015;
- ✓€1.5 billion at a rate of 3.75% maturing in 2027;
- ✓€1 billion at a rate of 2.25% maturing in 2017;
- ✓€150 million at a rate of 2.25% maturing in 2017;
- ✓€200 million at a rate of 4.0% maturing in 2019;
- ✓€100 million at a rate of 2.25% maturing in 2017;
- ✓€100 million at a rate of 4.0% maturing in 2019.

1. Equivalent value at 31 December 2012.

Note 8 – Financial assets and liabilities valued at amortised cost

	31/12/2012 IFRS		31/12/2011 IFRS	
In thousands of euros	Book value	Fair value	Book value	Fair value
Assets/liabilities				
Loans and receivables	19,269,717	19,506,220	15,956,715	16,138,866
Held-to-maturity investments	691,751	691,751	686,714	686,714
Financial liabilities valued at amortised cost	17,456,157	16,188,292	14,099,328	13,639,309

Note 9 – Financial assets and liabilities measured at fair value

	31/12/2012 IFRS			31/12/2011 IFRS		
In thousands of euros	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets/liabilities						
Financial assets at fair value through profit and loss		66,272	66,272		51,398	51,398
Hedging derivatives (assets)		1,317,708	1,317,708		1,038,071	1,038,071
Available-for-sale financial assets	558,246	918,985	1,477,231	152,895	780,034	932,929
Financial liabilities at fair value through profit and loss		114,548	114,548		134,689	134,689
Hedging derivatives (liabilities)		754,670	754,670		602,413	602,413

The fair value of a financial asset or liability is the current market price if it is traded on an active market (Level 1). If there is no market or reliable data, the fair value is determined from the current market value of a comparable instrument or by discounting the future cash flows (Level 2).

Note 10 – Provisions and writedowns

In thousands of euros

Provisions	31/12/2011	Provisions	Reversals available	Reversals used	Translation adjustment	Change in scope	31/12/2012
Included in the cost of risk							
French Overseas Dept subsidiary risks	32,866	71	575				32,362
Other provisions for risk	39,803	7,761	6,335		-202		41,027
Subtotal	*72,669*	*7,832*	*6,910*		*-202*	*0*	*73,389*
Excluded from the cost of risk							
Provision for expenses - sovereign loans	408,437	42,073					450,510
Staff costs	69,644	3,719	437				72,926
Provision for risks and expenses	14,877	214					15,091
TOTAL	**565,627**	**53,838**	**7,347**	**0**	**-202**	**0**	**611,916**

Asset impairment	31/12/2011	Provisions	Reversals available	Reversals used	Translation adjustment	Change in scope	31/12/2012
Credit institutions	37	2,180	1,730				487
Credit to customers	297,388	36,881	28,563		-1,445		304,261
Of which Cost of risk	28,612	24,931					
Other receivables	1,453						1,453
Group of homogeneous assets	210,988	26,330	10,874				226,444
Of which Cost of risk	26,330	10,874					
Available-for-sale assets	27,475	998	1,589				26,884
TOTAL	**537,341**	**66,389**	**42,756**	**0**	**-1,445**	**0**	**559,529**

Note 11 – Statement of changes in equity

The change in equity is presented in the financial statements in the statement of changes in shareholders' equity from 31 December 2010 to 31 December 2012.

B. Notes to the income statement

Note 12 – Income and expenses by accounting category

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Interest income	**1,101,634**	**898,167**
Cash and demand accounts with central banks	4,386	5,267
Available-for-sale financial assets	29,007	29,391
Loans and receivables	504,661	419,587
Held-to-maturity investments	18,739	8,009
Derivatives	544,841	435,913
Interest expenses	**933,889**	**743,460**
Central bank deposits	3,389	1,650
Financial liabilities valued at amortised cost	388,986	308,010
Derivatives	541,514	433,800
Dividend income (on available-for-sale assets)	**6,108**	**6,520**
Fee and commission income	**59,399**	**55,549**
Fee and commission expenses	**2,285**	**1,954**
Net profit (loss) on financial assets and liabilities not measured at fair value through profit and loss	**11,117**	**12,283**
Available-for-sale financial assets (net income on disposal)	11,117	12,283
Net profit (loss) on financial assets and liabilities measured at fair value through profit and loss	**45,775**	**-92,834**
Net profit (loss) resulting from hedge accounting	**1,347**	**17,805**
Translation adjustment	**-63,802**	**53,946**
Net profit (loss) on retirement of assets not available for sale	**81**	**-1,705**
Cost of risk	**-22,261**	**-40,433**
Other operating income	**211,555**	**198,452**
Other operating expenses	**12,135**	**14,170**
Total financial and operating income and expenses	**402,644**	**348,166**
Administrative expenses	263,885	254,872
Depreciation/amortisation	14,138	13,086
Share of earnings from companies accounted for by the equity method	4,459	3,270
Pre-tax income	**129,080**	**83,478**

Note 13 – Gains and losses on financial instruments at fair value through profit and loss

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Assets/liabilities at fair value through profit and loss	874	-14,747
Instruments at fair value on option	367	-5,198
Income resulting from hedge accounting	1,347	17,805
Natural hedging	44,534	-72,889
TOTAL	**47,122**	**-75,029**

Note 14 – Net gains or losses on available-for-sale financial assets

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Income on securities	6,108	6,520
Capital gains	11,018	14,971
Capital losses	-351	-2,114
Provisions for depreciation/amortisation	-3,508	-6,696
Reversal of provisions for depreciation/amortisation	3,608	5,870
TOTAL	**16,875**	**18,551**

Note 15 – Income from other activities

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Subsidies	200,812	196,246
Other income	10,743	56,404
TOTAL	**211,555**	**252,650**

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

Note 16 – Overhead – Staff

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Staff costs		
Wages and bonuses	118,275	113,940
Pension contributions (defined benefit plans)	10	10
Social security expenses	49,535	46,526
Profit sharing	3,942	9,649
Taxes and similar payments on compensation	10,406	9,608
Miscellaneous	3,282	1,262
Rebilling bank staff	-15,183	-14,558
TOTAL	**170,267**	**166,437**

Note 17 – Cost of risk

	31/12/2012 IFRS			31/12/2011 IFRS		
In thousands of euros	Provisions	Reversals	Total	Provisions	Reversals	Total
Collective provisions and depreciation	34,162	17,784	-16,378	65,585	25,297	-40,288
Individual depreciation of non-sovereign loans	28,612	24,930	-3,681	22,287	22,890	603
Losses on principal of bad loans	2,295	93	-2,202	758	10	-748
TOTAL	**65,069**	**42,808**	**-22,261**	**88,630**	**48,197**	**-40,433**

Note 18 – Equity-accounted companies

In thousands of euros	31/12/2012 IFRS		31/12/2011 IFRS	
Impact	**Balance sheet**	**Income**	**Balance sheet**	**Income**
SIC	56,210	741	52,849	953
Simar	13,734	1,791	11,943	712
Socredo	88,743	1,927	86,817	1,605
TOTAL	**158,687**	**4,459**	**151,609**	**3,270**

Note 19 – Corporation tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments and the French Pacific Collectivities is subject to corporate taxation at AFD. PROPARCO is subject to the standard tax regime. Corporation tax only applies to a portion of Soderag's activity.

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Corporation tax	**-17,093**	**-8,827**
Taxes due	-17,983	-12,675
Deferred taxes	890	3,848

Deferred taxation

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Net income	**111,987**	**74,651**
Corporation tax	-17,093	-8,827
Pre-tax income	**129,080**	**83,478**
Total theoretical tax expense 34.43% (A)	**-42,023**	**-27,537**
Total matching items (B)	**24,930**	**18,710**
Net recorded tax expenses (A) + (B)	**-17,093**	**-8,827**

C. Information about risks

The Executive Risk Department (DXR) was created on 3 December 2010. Its main task is to provide the executive and decision-making bodies with transparent and relevant information about the Group's risk position, with the goal of ensuring completion of its programme of activities. This department combines:

- ✓ the Second Opinion unit;
- ✓ the Permanent Control and Compliance Department (CPC);
- ✓ the Group Risk Management Department (DRG);
- ✓ the Legal Department (JUR).

Credit risk

AFD Group's credit risk monitoring system is the responsibility of the Group Risk Management Department (DRG) within the Executive Risk Department. Its role is to:

- ✓ monitor the Group's major sovereign and non-sovereign risks;
- ✓ set and monitor counterparty limits for non-sovereign risks;
- ✓ set and monitor geographic limits for sovereign and non-sovereign risks;
- ✓ set and monitor risk indicators for sovereign risks;
- ✓ rate non-sovereign risks (businesses, credit institutions, local authorities, etc.) and specific provisioning;
- ✓ monitor risk coverage (guarantees, writedowns);
- ✓ produce a system for classifying Group country risk and determining the collective provisions made for performing homogeneous portfolios;
- ✓ monitor arrears and act on non-performing loans.

Risks in foreign countries

The Group's credit risk in foreign countries is borne by AFD and its subsidiary PROPARCO. Their monitoring focuses on:

- ✓ an initial counterparty rating during project analysis by AFD's Risk Department and PROPARCO's Risk Management Division (RIS);
- ✓ the monitoring and rating of counterparties by the operating departments, reviewed by the Risk Management Division.

Some loans on AFD's own behalf are not included in the Group's risk. These are:

- ✓ remitted loans (remission of debts decided on by the French State: 1979 CNUCED, 1989 Dakar 1, 1994 Dakar 2), loans guaranteed by the French State: mainly global budgetary aid.

Within aid at the Group's risk there is a distinction between:

- ✓ sovereign loans issued to, or guaranteed by, a foreign state. This type of funding may be eligible for debt restructuring as decided by the Paris Club,
- ✓ non-sovereign loans granted to financial institutions or private or public companies with no guarantee from a foreign state. This aid is theoretically ineligible for the Paris Club's initiatives.

AFD's risk management process depends on the nature of the risks:

- ✓ For **sovereign loans**, the steady flow of projects creates a situation whereby a government takes out new loans at the same time as it repays old loans. AFD has introduced a penalty system for missed payments.
- ✓ For **non-sovereign loans**, the Group can suspend commitments and payments if the borrower fails to meet its contractual obligations. Previous obligations must be met and the borrower's financial position must be assessed before further lending is approved. Limits on the level of risk allowed per beneficiary for non-sovereign loans are set by systems of operational limits. In addition, financial institutions and companies with which AFD Group maintains or plans to establish financial relations are subject to a general assessment of the level of risk that they present. A centralised and permanent system, whose methods and tools were updated in 2007, also helps to measure and monitor the Group's non-sovereign credit risks.

This system also assists with decision-making when determining **individual writedowns** of loans. Counterparties for whom the rating system indicates significant risks are downgraded to doubtful loans and their outstandings are subject to a partial or total writedown at a rate set by the Risk Committee. Any undisbursed aid is examined on an individual basis and, where appropriate, may be subject to the same impairment rate. Impaired receivables also include those classed as doubtful under banking regulations (arrears of more than three, six or nine months, depending on the nature of the debt).

In accordance with banking regulations, AFD Group also assesses the risk exposure of its performing outstandings, by applying its own rules.

- ✓ For **sovereign loans**, the provisioning rates adopted are determined based on agreements signed with the French State, the terms of which have been reviewed as of 1 July 2009.
- ✓ For **non-sovereign loans**, since 2008 the system has been based on booking provisions for defined "homogenous portfolios" ("public financial" and "private financial" as well as water-electricity and transport for AFD and "financial", "telecoms", "energy" and "transport" for PROPARCO), of which the amount and any changes are calculated based on a quantitative and qualitative analysis. For residual outstandings, provisions are based on a matrix of discounted rates resulting from the analysis of past losses by segmenting homogenous portfolios according to country- and borrower-class risk. These rates are applied to outstanding loans as well as to the guarantees provided. To this end, the Risk Committee reviews the country-risk classification before each half-yearly impairment review. In 2012, additional provisions due to the special set of circumstances recently seen in the Mediterranean and Côte d'Ivoire were revised downward.

Risks in the French Overseas Departments and Collectivities

The parent company and its subsidiaries bear the Group's credit risk in the French Overseas Departments and Collectivities:

- ✓ AFD grants loans directly to the public sector (local authorities, public institutions and semi-public companies throughout the French Overseas Departments and Collectivities). It also provides financing to companies through banking intermediation.
- ✓ AFD's risks mainly relate to Socredo, a 35%-owned subsidiary (French Polynesia), and Sogefom, a guarantee fund operating in the French Pacific Collectivities that was acquired in 2003 and in which AFD has a 58.69% stake.
- ✓ PROPARCO operates in the French Overseas Departments and Collectivities by taking equity stakes, granting participating loans and providing bank refinancing and direct financing.

Risk monitoring

Risks in these areas are monitored by each of the Group's entities, the Risk Committee and the Risk Monitoring Division (DSR) of the Group Risk Management Department (DRG) being responsible for monitoring the Group's consolidated risks:

- ✓ the parent company's risks are monitored by the Risk Committee and are given a rating, which can potentially lead to asset impairments;
- ✓ banking subsidiaries have their own credit risk monitoring tools,

which comply with banking regulations. In particular, they have a Risk Committee;

- operational entities provide first-level monitoring of the activities of guarantee funds (Ariz, French Overseas Department Fund) and investment funds (Fisea). The economic model of Ariz and the French Overseas Department Fund was reviewed. Fisea has its own risk management committee, which meets quarterly;
- risks linked to the acquisition of Soderag (recovery of loans transferred to the West Indies - French Guiana subsidiaries, hedging of Soderag's net position, ongoing legal proceedings) are covered by provisions whose amount is regularly assessed;
- AFD manages Sogefom within the framework of a regulated agreement and therefore monitors its risks.

The gross value of consolidated outstandings at the Group's risk amounted to €17.8bn in 2012 (versus €14.5bn in 2011), including €14.1bn in foreign countries and €3.7bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€15.1bn, i.e. 85% of outstandings).

AFD Group's doubtful outstandings totalled €518M at 31 December 2012 (versus €511M in 2011), including €121M in doubtful sovereign and €397M in doubtful non-sovereign outstandings.

Doubtful non-sovereign outstandings are covered by writedowns and provisions in the amount of €233M, equal to a coverage ratio of 58%.

Breakdown of unimpaired loans by rating (excluding loans reimbursed and guaranteed by the State)

In millions of euros	31/12/2012 IFRS	31/12/2011 IFRS
Sovereign loans	**7,423**	**5,786**
Non-sovereign loans	**9,206**	**8,507**
Rated A (very good risk)	818	665
Rated B (good to average risk)	4,444	4,040
Rated C+ (passable risk)	2,551	2,415
Rated C- (significant risk)	1,272	1,240
Not rated	122	147

Risks involved:
- consolidated AFD and PROPARCO after excluding AFD loans to PROPARCO;
- outstanding loans excluding RAV and guarantees given.

Maximum risk exposure

The book value of financial assets is the maximum exposure to credit risk. Maximum exposure to credit risk at year-end is as follows:

In thousands of euros	31/12/2012 IFRS Book value	31/12/2011 IFRS Book value
Financial assets at fair value through profit and loss	66,272	51,398
Hedging derivatives	1,317,708	1,038,071
Available-for-sale financial assets	1,477,231	932,929
Loans and receivables	19,269,717	15,956,715
Held-to-maturity financial assets	691,751	686,714
Other financial assets		
Firm lending commitments	8,633,071	6,581,403
Financial guarantees	1,087,920	1,097,993
TOTAL	**32,543,670**	**26,345,223**

Age of arrears

The age of arrears on loans and receivables at the closing date may be analysed as follows:

In thousands of euros	31/12/2012 IFRS	31/12/11 IFRS
Less than 90 days	39,226	119,373
More than 90 days and less than 180 days	3,243	1,325
More than 180 days and less than 1 year	18,719	46,197
More than 1 year	237,830	231,675

Liquidity risk

The notion of liquidity refers to a company's ability to finance new assets and meet obligations as they mature. This risk is monitored as part of asset and liability management, for AFD, PROPARCO and its banking subsidiary.

AFD has a Euro Medium Term Notes (EMTN) programme amounting to €25bn enabling it to complete financing transactions with fewer financial information requirements.

Short-term liquidity risk prevention depends on a certificates of deposit programme for €2bn. The marketable securities portfolio (€0.7bn) is another liquidity reserve that can be used for repurchase agreements.

The liquidity risk measuring and monitoring system includes both regulatory ratios and internal indicators.

The various liquidity risk measuring and monitoring indicators reveal very moderate exposure to liquidity risk.

The table below shows the maturity of AFD's financial liabilities at 31 December 2012, analysed based on undiscounted contractual cash flows.

In thousands of euros

Contractual term to maturity	Under 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total cash flow	Book value
Liabilities						
Financial liabilities at fair value through profit and loss	2,294	17,014	66,718	28,522	**114,548**	**114,548**
Derivatives used for hedging purposes (liabilities)	14,608	197,715	495,759	46,588	**754,670**	**754,670**
Financial liabilities measured at amortised cost	0	1,992,813	6,638,034	8,825,310	**17,456,157**	**17,456,157**

Interest rate risk

Interest rate risk reflects the sensitivity of current or future earnings and of the net economic value of the balance sheet to changes in interest rates on the capital markets. This sensitivity may result from differences between lending and borrowing structures (maturity spreads), the conditions of use of equity (short-term investments, loan financing or investments), and off-balance sheet commitments.

As AFD's funding mainly relies on floating-rate resources (market borrowings swapped on issuance), disbursements of fixed-rate loans are covered by a micro-hedge consisting of a fixed-for-floating swap that protects the net interest margin.

AFD's total interest-rate risk is monitored using asset liability management and modified duration gap matching. Based on the figures at 31 December 2012, the impact of a 100 bp rise in interest rates on projected 2013 earnings was estimated at €+3.3M (-€3.3M for a 100 bp decrease).

Foreign-exchange risk

The foreign-exchange risk is the risk of losses on financial instruments and margins due to adverse changes in exchange rates.

AFD's general policy is to systematically hedge foreign currency loans through cross-currency swaps, which exchange future foreign-currency cash flows for future euro cash flows. Financing transactions carried out in currencies other than the euro are also hedged using cross-currency swaps.

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk, which is below the threshold set by CRBF Regulation 95-02 on capital adequacy with regard to the market.

The foreign exchange risk may be measured by analysing modified duration, e.g. if foreign currencies appreciate against the euro by 10%, this has an impact on earnings estimated at -€3.2 million (€3.2 million for a 10% decline), the sensitivity of exchange rates being mainly attributable to the US dollar.

Counterparty risks

Counterparty risk is the threat of a counterparty defaulting on interest-rate and currency swaps agreed as part of debt and cash flow (pensions) management, or on short-term or portfolio investments. The counterparty risk exposure of financial instruments is managed through counterparty indicators and regularly updated limits.
Counterparty risks are managed by a framework of global limits, restricting exposure equivalent to a 12-month AAA issue to €500M per counterparty and to €700M per group of counterparties. Specific rules also govern the operation of the various portfolios.
These limits were respected with throughout 2012.

Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2012.

D. Additional Information

Commitments

In thousands of euros	31/12/2012 IFRS	31/12/2011 IFRS
Commitments received		
Guarantee commitments received from the French State on loans	2,075,134	2,075,516
Guarantee commitments received from credit institutions	141,334	169,957
As part of the Group's lending activity	*141,334*	*169,957*
Commitments given		
Financing commitments made to credit institutions	1,086,113	983,987
Financing commitments made to customers	7,546,958	5,597,416
Guarantee commitments made to credit institutions	744,073	723,741
Of which DOM Fund activity	*263,407*	*263,794*
Guarantee commitments made to customers	343,847	374,252

Commitments received exclude transactions on behalf of the French State.

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions.

Equity stakes in managed funds

AFD holds, in 31 companies, stakes in managed funds (Cidom, FAC, Fides and Fidom) and funds provided by the State. These holdings, recorded at cost, do not appear on the balance sheet. Subscribed to on behalf of the French State with public funds made available to AFD, these holdings are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

Fund source	Number of investments	Purchase price
Caisse d'investissement des DOM (Cidom)	4	7,745
Fonds d'aide et de coopération (FAC)	1	457
Fonds d'investissement et de développement économique et social (Fides)	5	642
Fonds d'investissement des DOM (Fidom)	14	3,213
Other government resources	7	8,762
TOTAL	**31**	**20,819**

IMF balance sheet

Transactions on behalf of the State, as part of its contribution to the IMF, restated for IFRS.

In thousands of euros	31/12/2012	31/12/2011
Assets		
Loans and receivables to credit institutions	1,804,150	2,079,501
Demand	*219,152*	*170,572*
Term	*1,584,998*	*1,908,929*
Accruals	56,020	61,589
TOTAL ASSETS	**1,860,170**	**2,141,090**
Liabilities		
Debt securities	1,847,739	2,068,644
Bonds	*1,801,450*	*2,021,450*
Of which accrued interest	*46,289*	*47,194*
Accruals and other miscellaneous liabilities	12,432	72,446
TOTAL LIABILITIES	**1,860,170**	**2,141,090**

Transactions between related parties

In thousands of euros	31/12/2012		31/12/2011	
	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	381,974		343,251	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**381,974**	**0**	**343,251**	**0**
Debt		381,974		343,251
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES WITH RELATED ENTITIES	**0**	**381,974**	**0**	**343,251**
Related interest, income and expenses	13,154	-13,154	12,956	-12,956
Commissions				
Net income on financial transactions				
Net income on other activities				
TOTAL NET BANKING INCOME GENERATED WITH RELATED ENTITIES	**13,154**	**-13,154**	**12,956**	**-12,956**

Disclosure on non-cooperating States and territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Law 2009-1674 of 30 December 2009) requires that credit institutions publish an appendix to their annual financial statements presenting information about their offices in States or territories that have not signed an administrative assistance agreement aimed at combating fraud and tax evasion with France.
At 31 December 2012 AFD Group did not have any offices in non-cooperative States or territories.

Individual right to training (DIF)

The number of hours of rights acquired by AFD's employees under the DIF at 31 December 2012 was 114,634.
The number of hours of training that were not requested was 109,824.

Statutory auditors' fees at 31 December 2012

In accordance with Decree 2008-1487 of 30 December 2008, the table below shows the fees paid to the statutory auditors of AFD and its fully consolidated subsidiaries for 2012. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services.

	Fees excluding tax – 2012 financial year
AFD	261,000
PROPARCO	102,000
Soderag	15,000
Sogefom	32,310
Fisea	10,500
Propasia	4,000

The amount of fees invoiced for consulting or services directly related to the statutory audit assignment totalled €45K for AFD in 2012.

Significant events since 31 December 2012

In 2012, AFD and Gécamines SARL resumed negotiations over settlement terms for the AFD loan. These negotiations resulted in an initial payment of €2.4M halfway through 2012. In December, they took written form as a draft agreement, which was presented to AFD's Board of Directors on 31 January 2013.
In accordance with the terms of this agreement, Gécamines paid €2.4M representing capital repayment in February 2013, which resulted in AFD writing back a provision in the same amount for 2012.

5.3 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

Dear Sir or Madam,

In compliance with the assignment entrusted to us by your Board of Directors, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the accompanying consolidated financial statements of Agence Française de Développement,
- the justification of our assessments,
- the specific verification required by law.

These consolidated financial statements have been approved by the Chief Executive Officer. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without casting doubt on the opinion expressed above, we call your attention to Note 3 of the Introduction to the Financial Statements, which discusses a change in accounting method for stating initial commissions paid or received for fair value hedges.

Justification of our assessments

In application of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we would like to bring the following to your attention:

- Note 2.2.3 to the consolidated financial statements describes the accounting methods used to value financial assets and liabilities. Our work consisted in assessing the data and assumptions on which these estimates are based, reviewing the calculations made by Agence Française de Développement and examining the company's processes for the approval of these estimates by the management.
- Credit risk provisioning is an area of accounting assessment important in all banking activity: Agence Française de Développement records provisions for losses from loans to customers and financial institutions to cover the credit risk inherent in its activities, as described in Notes 2.2.7, 3.1 and 4. As part of our assessment of these accounting estimates, we examined the credit risk review process, the assessment of irrecoverability risks and the adequacy of allowances for these loan losses on an individual or collective basis.
- Agence Française de Développement records other provisions as described in Notes 2.2.6 and 3.1-Note 10 to the consolidated financial statements. Based on the information available at this time, our assessment of these provisions is founded on an analysis of Agence Française de Développement's process for identifying and quantifying risks, and their coverage by the necessary provisions.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law, we also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris-La Défense, 17 April 2013

KPMG Audit
A department of KPMG SA
Arnaud Bourdeille
Partner

Courbevoie, 17 April 2013

Mazars
Max Dongar
Partner

5.4 AFD'S ANNUAL FINANCIAL STATEMENTS

Balance Sheet at 31 December 2012

In thousands of euros Assets	Notes	December 2012	December 2011
Cash, Central Bank		11,518	24,098
Government paper and similar	**1 and 2**	**841,296**	**802,357**
Receivables owed by credit institutions	**3**	**8,160,037**	**6,882,534**
Demand		1,048,022	401,874
Term		7,112,015	6,480,660
Operations with customers	**4**	**13,214,835**	**11,057,561**
Other loans to customers		13,214,835	11,057,561
Bonds and other fixed-income securities	**1 and 2**	**114,132**	**214,732**
Shares and other variable-income securities	**1 and 2**	**39,033**	**39,033**
Equity stakes and other long-term securities	**5**	**127,955**	**113,051**
Shares in affiliated companies	**6**	**307,636**	**307,636**
Intangible fixed assets	**9**	**15,203**	**12,328**
Property, plant and equipment	**9**	**187,790**	**171,676**
Other assets	**10**	**9,999**	**12,003**
Accruals	**11**	**580,127**	**540,895**
TOTAL ASSETS		**23,609,561**	**20,177,904**
OFF-BALANCE SHEET: COMMITMENTS GIVEN			
Financing commitments		**9,275,724**	**7,331,815**
To credit institutions		2,065,610	2,079,544
To customers		7,210,114	5,252,271
Guarantee commitments	**33**	**1,685,247**	**1,663,786**
To credit institutions		866,921	912,167
To customers		818,326	751,619
Commitments on securities		**246,132**	**234,138**
Other commitments on securities	**33**	246,132	234,138

The table continues on page 87

Balance Sheet at 31 December 2012

In thousands of euros Liabilities	Notes	December 2012	December 2011
Central Bank			
Debts to credit institutions	**12**	**223,103**	**251,751**
Demand		86,464	101,883
Term		136,639	149,868
Operations with customers	**13**	2,783	3,242
Other demand debts		**2,783**	**3,242**
Other term debts			
Debt securities	**14**	**15,298,523**	**12,564,708**
Interbank market and negotiable debt		300,028	400,313
Bonds		14,998,495	12,164,395
Other liabilities	**10**	**1,670,244**	**1,150,353**
Borrowing from French Treasury		258,076	306,280
Allocated public funds		263,225	248,905
Other liabilities		1,148,943	595,168
Accruals	**11**	**194,934**	**170,866**
Provisions	**15**	**780,958**	**723,564**
Subordinated debt	**16**	**3,108,896**	**3,007,620**
Reserve for General Banking Risk (RGBR)	**17**	**460,000**	**460,000**
Equity excluding RGBR	**18**	**1,870,120**	**1,845,800**
Provisions		400,000	400,000
Reserves		1,340,289	1,321,917
Subsidies		41,957	50,392
Income		87,874	73,491
TOTAL LIABILITIES		**23,609,561**	**20,177,904**
OFF-BALANCE SHEET: COMMITMENTS RECEIVED			
Financing commitments			
Received from credit institutions			
Received from the French State			
Guarantee commitments	**33**	**62,361**	**70,583**
Received from credit institutions		62,361	70,583
Commitments on securities			
Other commitments received on securities			
Other commitments	**33**	**3,862,286**	**3,937,178**
Guarantees received from the French State		3,862,286	3,937,178

2012 Income Statement

In thousands of euros	Income and expenses on banking operations	Notes	December 2012	December 2011
+	**Interest and similar income**	**20**	**1,180,998**	**993,918**
	On operations with credit institutions		338,993	310,321
	On operations with customers		330,373	279,140
	On bonds and other fixed-income securities		46,131	36,951
	Other interest and similar income		465,501	367,506
-	**Interest and similar Expenses**	**21**	**1,095,713**	**908,519**
	On operations with credit institutions		349,791	283,481
	On operations with customers		9,592	9,991
	On bonds and other fixed-income securities		474,208	380,149
	Other interest and similar income		262,122	234,898
+	**Income on variable-income securities**		3,543	4,499
+	**Commissions (income)**	**22**	**47,011**	**42,444**
-	**Commissions (expenses)**	**22**	**383**	**311**
+/-	**Gains or losses on investment portfolio operations and similar**	**23**	**4,335**	**2,059**
	Net profit or loss on investment securities/operations		4,335	2,059
+	**Other income on banking operations**	**24**	**252,343**	**252,210**
-	**Other expenses on banking operations**	**25**	**29,257**	**25,461**
=	**NET BANKING INCOME**		**362,877**	**360,839**
	OTHER ORDINARY INCOME AND EXPENSES			
-	**Overhead**	**26**	**254,116**	**245,839**
	Staff costs		170,283	166,450
	Other administrative costs		83,833	79,389
-	**Provisions for depreciation/amortisation of property, plant and equipment and intangible fixed assets**	**9**	**13,691**	**12,645**
=	**Gross operating income**		**95,070**	**102,355**
+/-	**Cost of risk**	**29**	**-8,819**	**-33,752**
=	**Operating income**		**86,251**	**68,603**
+/-	**Gains or losses on fixed assets**	**30**	**1,874**	**5,228**
=	**Pre-tax income from operations**		**88,125**	**73,831**
+/-	**Exceptional income**	**38**	**-251**	**-340**
-	**Corporation tax**			
+/-	**RGBR provisions or reversals**		**0**	**0**
=	**NET INCOME**		**87,874**	**73,491**

APPENDIX

1. HIGHLIGHTS OF THE PERIOD

i. Financing of the Group's activity

To finance the growth in its loan activity, in 2012 AFD made nine bond issuances on its own behalf in the form of public or private issues with a total volume of €5bn.

ii. AFD's interest in Oséo

In accordance with the approval granted by the Board of Directors and confirmed by Ministry order on 21 March 2012, AFD is authorised to subscribe to Oséo SA's capital increase up to 624,252 shares, representing 0.56% of said capital, for an amount totalling €17.3M. This subscription to the first stage of the capital increase, representing 312,126 shares, took place on 28 March 2012 for €8.6M.

iii. Property investment

In accordance with the authorisation given by the Board of Directors at its meeting on 5 November 2009, on 15 April 2010 AFD invested in property to increase the surface area of its head office. The building, named "Le Mistral", is located at 20, boulevard Diderot (12th district of Paris) and has a surface area of €5,975M. It was purchased on a presale basis for €71.76M including VAT.

In accordance with the initial commitment, the building was completed and delivered in February 2012. Layout and fitting work was carried out at AFD's expense during the financial year.

The entire Corporate Secretariat moved to the new building on 17 December 2012.

2. ACCOUNTING PRINCIPLES AND ASSESSMENT METHODS

2.1 GENERAL COMMENTS

The annual financial statements of Agence Française de Développement are presented in compliance with the accounting principles for credit institutions prevailing in France.

The annual financial statements include the balance sheet, income statement and notes to the financial statements completing the information provided in the first two documents.

These have been prepared in accordance with the principles of prudence, going concern, matching and consistency of methods.

In accordance with current standards, AFD has, since 1 January 2006, been applying French CRC Regulation No. 2005-03 relative to accounting practice for credit risk.

2.2 CONVERSION OF FOREIGN CURRENCIES

Amounts receivable, amounts payable and off-balance sheet commitments denominated in foreign currencies are based on the exchange rates on the closing date of the financial year.

The conversion into a common currency, using the closing dates, results in differences in the income statement except in the following transactions, where the difference is shown in an adjustment account:

- equity investments denominated in foreign currencies but financed in euros;
- balance and off-balance sheet items recorded in illiquid currencies.

Foreign currency income and expenditure on loans, borrowings, securities or off-balance sheet operations are recorded in the foreign currency, in profit and loss accounts kept for each of the currencies concerned, with conversions made on a monthly closing date.

Foreign currency income and expenditure are converted to euros on a monthly basis, and any subsequent variations in exchange rates result in exchange gains or losses in the income statement. With regard to AFD borrowings used to finance the International Monetary Fund's PRGF[1], the foreign exchange gains or losses on interest are offset by subsidies, and therefore have no impact on the final profit and loss.

In the case of transactions in illiquid currencies, only unrealised losses are taken into account by booked provisions. In compliance with regulations, unrealised gains on such transactions are not taken into account.

2.3 LOANS TO CREDIT INSTITUTIONS AND CUSTOMERS

These are shown in the balance sheet as an amount (including related credits) after impairment is booked to account for the risk of non-recovery.

Commitments with respect to credit agreements signed but not yet disbursed or partly disbursed are shown as an undisbursed balance on the off-balance sheet.

Interest and commitment commissions are recognised under banking income on an accruals basis, whether due or not due, and are calculated prorata.

In accordance with banking regulations, loans are downgraded to doubtful debts where instalments due have been unpaid for three, six, or nine months, depending on the type of debt.

By agreement with the French Banking Commission, the following exceptions are allowed: debts guaranteed by the French State, which are not downgraded, and sovereign debts, for which the allowed period of arrears has been extended to eighteen months.

1. PRGF: The Poverty Reduction and Growth Facility.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total writedown for the outstanding capital (impairment for specific risks).
Litigated debt obligations are included in doubtful debts.
Non-performing loans are doubtful loans for which the prospect of repayment is greatly reduced and for which reclassification to the rank of performing outstanding loan is unlikely. Loans rated doubtful for more than 12 consecutive months and credit agreements beyond their term are always classified in this category.
AFD has recorded depreciations to cover the discounted value of all projected losses on doubtful loans and non-performing loans. The projected losses are equal to the difference between the initial contractual cash flows, less those already received, and projected cash flows. Cash flows are discounted at the interest rate effective at the start of an outstanding debt for fixed-rate loans and at the last effective interest rate for variable-rate loans.
Unpaid interest due and interest accrued on doubtful debts are fully depreciated.
Loans restructured on non-commercial terms must be identified as performing outstandings. AFD has not listed any outstanding debt as restructured on non-commercial terms for the year 2012.

2.4 SHORT-TERM AND LONG-TERM INVESTMENTS

Depending on the purpose of the transaction, the following rules apply:

✓ Short-term investment securities intended to be held for 6 months or more are recorded at the date of their acquisition, at the purchasing price, excluding accrued interests.
Premiums or discounts are actuarially amortised. At each monthly account closing, the coupon accrued since the last period is reported as income.
Depreciation for unrealised losses, determined as the difference between book value and market price, is made monthly on a line-by-line basis, without offsetting unrealised gains. Unrealised gains are not shown in the accounts.

✓ Long-term investment securities (mainly bonds), purchased with the intention of holding them for a long time, in principle until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.
They may be subject to depreciation in case of counterparty risk.
Premiums or discounts (the difference between purchase price and redemption price) are spread on an actuarial basis over the residual life of the investment.
At each monthly account closing, the coupon accrued since the last period is reported as income.
AFD has secured resources allocated to funding its long-term securities investments.

2.5 SHARES IN RELATED BUSINESSES, EQUITY STAKES AND LONG-TERM INVESTMENTS

Shares in related businesses

Shares in related businesses are those held in exclusively controlled companies that can be consolidated by overall integration.

Equity stakes

These are securities, the long-term retention of which is deemed useful to the company's activities, particularly because it enables influence or control to be exercised over the issuing company.
This relates especially to interests that meet the following criteria:

- Interests in proportionately consolidated companies or issued by equity-accounted companies;
- Interests in companies with directors or managers who are also in the holding company, under terms that enable influence to be exercised over the company whose shares are held;
- Interests in companies belonging to the same group controlled by individuals or corporate entities with control over the whole group and thus demonstrating centralised decision-making;
- Interests representing over 10% of rights in the capital issued by a credit institution or a company that is in the same line of business as the holding company.

Other long-term investments

This category includes investments in securities designed to promote the development of lasting business relations by creating a special link with the issuing company, but with no influence on the management of the companies in which the shares are held given the small percentage of voting rights they represent.
In view of its negligible impact, this last item is not included separately in the notes to the financial statements.
For these three categories:

- Shares are recorded at acquisition cost. Depreciation is recorded when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company, particularly on conditions in its country) or its stock market valuation, as the case may be, is lower than the acquisition cost.
- A 100% provision for foreign exchange loss is made in the case of conversion differentials if the currency concerned is devalued.
- Dividends are recorded as income on receipt of the minutes of the general meetings held until 31 December of the financial year.

Capital gains or losses on disposal of these shares are recorded under "gains or losses on fixed assets".
AFD also holds interests in 31 companies, either through managed funds (Cidom, FAC, Fides, and Fidom) or through State funds. These holdings, recorded at cost, do not appear on the balance sheet. Details of the amounts involved are provided in Note 34. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

2.6 BONDED DEBT

Call premiums (the difference between the redemption price and par value of securities) and positive or negative share premiums (the difference between the issue price and par value of securities) are spread over the maturity of the borrowings using the actuarial method.

2.7 SUBSIDIES

The "Subsidies" item records the subsidies to loans for global budgetary aid and investment subsidies on mixed loans, which are paid by the State on the start of the loan and which enable the granting of concessional loans by lowering the average cost of the funding allocated in each of the loan categories concerned.
These grants and investment subsidies are amortised over the life of each of the loans they help to finance.

2.8 FIXED ASSETS

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets used for operations. Intangible fixed assets are mainly custom or purchased software. Fixed assets are recorded at their acquisition cost (cost price net of recoverable VAT) plus directly related expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table. This item-by-item approach has been used for head office.
Depreciation 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 packages, layout and fittings	15 years
5.	Various fittings	10 years

Other tangible assets are depreciated using the straight-line depreciation method:

- office buildings in the French Overseas Departments and Collectivities are depreciated over fifteen years;
- residential buildings are depreciated over fifteen years;
- fixtures, fittings and furnishings are depreciated over five or ten years;
- equipment and vehicles over two to five years.

Regarding intangible assets, software is depreciated according to its type: no more than five years for management packages and two years for office tools.

Impairment testing is conducted on depreciable assets when signs of impairment are identified at the end of the financial year. In case of impairment, depreciation is recorded under "Provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets" and may be reversed if there is a change in the conditions that led to it being recognised. This impairment reduces the depreciable amount of the asset and thus also affects its future depreciation schedule. At 31 December 2012, no depreciation was recognised.

Capital gains or losses from the sale of assets used in operations are recorded under "Net gains or losses on fixed assets".

2.9 FINANCIAL FUTURES INSTRUMENTS

Off-balance sheet outstandings for financial instruments are entirely consistent with outright transactions – interest-rate swaps and cross-currency swaps – made over-the-counter.

These instruments are managed primarily as part of transactions for micro-hedging debt and loans.

In accordance with CRBF 90-15 amended by CRBF 92-04, the par value of these contracts is recorded off balance sheet, while symmetry in relation to the hedged item results in income or expenses recorded as interest and related income or expenses for hedged items. Such income and expenses are not offset.

2.10 PROVISIONS (SEE NOTE No. 15)

This item covers provisions meant to hedge risks and expenses that past or ongoing events have rendered likely to occur, and whose purpose is clearly specified.

Provisions for sovereign outstandings

The agreement "on recording provisions for sovereign loans[1] granted by AFD on its own behalf" was signed on 30 December 2010 between AFD and the French State for an indefinite period. This agreement provides for shared provisions to be made, for which the amount is topped up by the State.
These provisions are not based on a credit risk analysis but reflect AFD's commitment to pay the State an amount equivalent to these provisions as a result of debt transactions. Net reversals of provisions and payments to the State are recorded in Net Banking Income.

Collective provisions of non-sovereign outstandings

The portfolio of loans written down on a collective basis consists of all non-sovereign loans in foreign countries that are not written down on an individual basis. Provisions for homogenous portfolios are recorded for the public financial, private financial, water-electricity and transport sectors based on a quantitative and qualitative analysis. Residual outstandings are provisioned based on past losses, for whatever reason, for asset classes by sector and type of country. Based on the same principle, guarantees granted are also provisioned on a collective basis.

Given the events at the end of 2010, AFD booked specific collective provisions due to the political instability in the Mediterranean Basin and the political instability and the economic crisis in Côte d'Ivoire. At 31 December 2012, these provisions were partially reversed by €12.8M, leaving a balance of €17.5M.

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.

1. In other words granted to States or with their approval.

Provisions for miscellaneous risk
This item covers miscellaneous risks and litigation for which resources are likely to be withdrawn.

Provisions for foreign exchange risk
This item is intended to cover exchange rate differences (assets) on interests in foreign currencies.

Provisions for employee commitments
The discount rate used is equal to the IBOXX rate (for AA-rated businesses at maturities greater than ten years), which was around 3% at the end of 2012, plus the yield spread between a 12-year OAT (French Treasury bond) and an 18-year OAT, which was approximately 50bp.

➢ ***Defined benefit plans***

✓ Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all outsourced to an 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:

Discount rate: 3.5%
Annual increase in salary: 3%
Retirement age: .... 62 years

✓ Commitments for end-of-career payments and financing of the health insurance plan

AFD pays its employees compensation at the end of their careers (IFC). It also contributes to funding the health insurance plan of its retired employees.

The assumptions used for the valuations are as follows:

Discount rate 3.5%
Annual increase in salary 3%
Retirement age .... 62 years
Deaths .... TGH 05/TGF 05

These commitments (end-of-career payouts and financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of the commitments provisioned is determined using the projected unit credit method. At each closing, the retirement commitments borne by AFD are revalued and compared with the value of the insurance policies. AFD has opted for the corridor method, applicable to post-employment plans. Actuarial differences are subject to deferred amortisation and are not immediately recognised in profit and loss. The €3.304M provision is recognised in "Staff costs".

➢ ***Other long-term benefits***

AFD awards its employees with bonuses for long-time service.
The changes in commitments over 2012 are shown in the following table:

AFD's employee commitments at 31 December 2012

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Service award
Change in discounted value of the commitment				
Discounted value of the commitment at 1 January	**104,543**	**43,416**	**10,133**	**487**
Financial cost	3,657	2,243	521	24
Cost of services rendered over the year	1,585	1,449	722	55
Reductions/Liquidations				
Services paid	-13,001	-1,377	-746	-71
Actuarial losses (gains)	2,495	13,424	1,569	61
Discounted value of the commitment at 31 December	**99,279**	**59,155**	**12,199**	**556**
Change in fair value of assets of retirement plan				
Fair value of assets at 1 January	**112,253**			
Expected return on assets	4,670			
Services paid	-13,001			
Actuarial losses (gains)	-3,282			
Liquidations				
Fair value of assets at 31 December	**100,640**			
Corridor limits				
Actuarial gains (losses) not recognised at 1 January	**10,601**	**4,265**	**1,743**	**0**
Corridor limits at 1 January	11,225	4,342	1,013	49
Actuarial gains (losses) generated over the year	-5,777	-13,424	-1,569	-61
Actuarial losses (gains) recognised	0	0	-81	61
Actuarial gains (losses) not recognised at 31 December	**4,824**	**-9,159**	**93**	**0**
Amounts recognised on the balance sheet at 31 December				
Discounted value of the financed commitment	**99,279**			
Discounted value of the non-financed commitment		59,155	12,199	556
Net position	-1,361			
Gains (losses) not recognised	4,824	-9,159	93	
Balance sheet provision	**3,463**	**49,996**	**12,292**	**556**
Amounts recognised on the income statement at 31 December				
Cost of services rendered in 2012	1,585	1,449	722	55
Financial cost in 2012	3,657	2,243	521	24
Actuarial losses (gains) recognised	0	0	-81	61
Expected return on assets of retirement plan	-4,670			
Cost of services rendered				
Impact of reductions/liquidations				
Expenses booked	**572**	**3,692**	**1,162**	**140**
Reconciliation of opening and closing net liability				
Liability at 1 January	**2,891**	**47,681**	**11,876**	**487**
Expenses booked	572	3,692	1,162	140
Contributions paid	0			
Employer contributions	0	-1,377	-746	-71
Net liability at 31 December	**3,463**	**49,996**	**12,292**	**556**
Actuarial debt at 31 December 2012	**99,279**	**59,155**	**12,199**	**556**
Cost of services rendered in 2013	841	2,383	928	65
Financial cost in 2012	3,504	2,154	448	20
Services payable in 2013/transfer of capital upon departures in 2013	-30,814	-1,432	-621	-72
Estimated debt at 31 December 2013	**72,810**	**62,260**	**12,954**	**569**

2.11 RESERVE FOR GENERAL BANKING RISK (RGBR)

In accordance with CRBF 90-02, the Reserve for General Banking Risk is intended to remain permanently in capital reserves for comprehensive general coverage of AFD's risks.
Among other things, the Reserve is intended to hedge:

- general risks from AFD's direct activities in the French Overseas Departments and Collectivities;
- general risks for real estate holdings in foreign countries.

2.12 SUBORDINATED DEBT

In 1998, an agreement was reached with the French State whereby part of AFD's debt towards 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).
At 31 December 2012, subordinated debt amounted to €3.1bn, of which €2.3bn is towards the Treasury.

2.13 FINANCING COMMITMENTS

Financing commitments given record the amounts to be disbursed under lending agreements with customers or credit institutions and under investment fund agreements.
Financing commitments given to credit institutions include the amounts to be disbursed, on the State's behalf, under agreements signed with the IMF for financing the PRGF.
Financing commitments given to investment funds include remaining commitments for AFD's subscription to Fisea, namely €190M at 31 December 2012 (€60M having already been subscribed).

2.14 GUARANTEE COMMITMENTS

Guarantee commitments given to credit institutions include in particular:

- ✓ the guarantee of the debt of its subsidiary in liquidation, Soderag, bearing in mind that a very large part of this debt was repaid early in 1998 and 1999 after Soderag sold its portfolio to Sodega, Sodema and Sofideg. The portfolio was then taken over by Sofiag;
- ✓ guarantees granted by AFD for the Ariz I, Ariz II and Ariz Med procedure (Support for the Risk of Financing Private Investment in AFD's Areas of Operation, in Sub-Saharan Africa and in Mediterranean countries). These guarantees are intended to encourage the creation and development of local businesses;
- ✓ the guarantee granted to PROPARCO as part of a country-risk hedging agreement;
- ✓ sub-participation guarantees granted to PROPARCO;
- ✓ the counter-guarantee of 100% of risks of losses granted to Oséo Garantie for guarantees issued by Oséo as part of French Overseas Department Fund activity.

Commitments given for guarantees to clients include in particular:

- ✓ loan repayment guarantees distributed by Crédit Foncier de France (CFF) and Oséo;
- ✓ the guarantee granted to Sofiag accounts for 50% of gross outstandings on the loan portfolio sold by Socredom in 1998 in preparation for its dissolution, which took place on 1 January 1999;
- ✓ repayment guarantee for bonds issued by Iffim as part of managing the French contribution to the Solidarity Fund for Development (FSD) on behalf of the French State.

Commitments received from credit institutions are related to loan transactions conducted by AFD.

Other commitments received included the French State's guarantee of loans to foreign States.

Guarantee commitments for securities include share buyback options offered to PROPARCO's minority shareholders as part of the capital increase undertaken in May 2008. These buyback options may be exercised by minority shareholders for a period of five years following a lock-in period of five years.

2.15 DISCLOSURE ON NON-COOPERATING STATES AND TERRITORIES

Article L.511-45 of the French Monetary and Financial Code (as amended by Law 2009-1674 of 30 December 2009) requires that credit institutions publish an appendix to their annual financial statements presenting information about their offices in States or territories that have not signed an administrative assistance agreement with France aimed at combating fraud and tax evasion.
At 31 December 2012 AFD did not have any offices in non-cooperative States or territories.

2.16 INDIVIDUAL RIGHT TO TRAINING (DIF)

The number of hours of rights acquired by AFD's employees under the DIF at 31 December 2012 was 114,634.
The number of hours of training that were not requested was 109,824.

2.17 OTHER INFORMATION RELATED TO CONSOLIDATION

AFD's financial statements are fully reflected in AFD Group's consolidated financial statements using the full consolidation method.

2.18 POST-CLOSING EVENTS

In 2012, AFD and Gécamines SARL returned to the negotiating table over settlement terms for the AFD loan. These negotiations resulted in an initial payment of \$2.4M halfway through 2012. In December, they took written form as a draft agreement, which was presented to AFD's Board of Directors on 31 January 2013.
In accordance with the terms of this agreement, a €2.4M instalment representing capital repayment was paid by Gécamines in February 2013, which resulted in AFD writing back a provision in the same amount for 2012.

3. ADDITIONAL INFORMATION ON FINANCIAL STATEMENT ITEMS

Figures in the tables are in thousands of euros.

Note 1 – Short-term investments[1]

	December 2012			December 2011		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	257,121		257,121	225,044		225,044
Related receivables	6,608		6,608	5,388		5,388
Writedowns	-52		-52	-178		-178
Net total	263,677		263,677	230,254		230,254
Bonds and other fixed-income securities					100,000	100,000
Related receivables					121	121
Writedowns						0
Net total				0	100,121	100,121
Equity and other variable-income securities	39,033		39,033	39,033		39,033
Writedowns						
Net total	39,033		39,033	39,033		39,033
TOTAL NET VALUE	**302,710**	**0**	**302,710**	**269,287**	**100,121**	**369,408**

	Fixed income	Variable income	Total	Fixed income	Variable income	Total
Unrealised capital gains	16,262	4,313	20,575	4,348	1,856	6,204

	Under 3 months	3 months to 1 yearn	1 to 5 years	Over 5 years	Total 2012
Maturity of bonds and other fixed-income securities					**0**

Note 2 – Long-term investments[1]

	December 2012			December 2011		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	565,619		565,619	561,221		561,221
Related receivables	12,000		12,000	10,882		10,882
Net total	577,619		577,619	572,103		572,103
Bonds and other fixed-income securities	110,698		**110,698**	111,182		111,182
Related receivables	3,434		3,434	3,429		3,429
Net total	114,132		114,132	114,611		114,611
TOTAL NET VALUE	**691,751**		**691,751**	**686,714**		**686,714**
Difference between purchase price and redemption price	53,099		53,099	59,748		59,748

During the fiscal year, no long-term investment was sold before maturity in order to manage counterparty risk.
1. Total balance sheet items: Government papers and equivalent, bonds and other fixed-income securities, equity and other variable-income securities total €994.461 million at 31 December 2012.

	Under 3 months	3 months to 1 yearn	1 to 5 years	Over 5 years	Total 2012
Maturity of bonds and other fixed-income securities	0	7,634	18,747	84,317	**110,698**

Note 3 – Receivables from credit institutions

	December 2012			December 2011		
	Demand	Term	Total	Demand	Term	Total
Regular accounts	103,096		103,096	64,647		64,647
Loans to credit institutions		**7,193,766**	7,193,766		6,565,116	6,565,116
Interbank investment[1]	944,401	101,806	1,046,207	336,707	1,936	338,643
Loan activity		7,091,960	7,091,960		6,224,480	6,224,480
Structured swaps			0		338,700	338,700
Related receivables	525	33,093	33,618	520	30,359	30,879
Writedowns		-114,844	-114,844		-114,815	-114,815
TOTAL	**1,048,022**	**7,112,015**	**8,160,037**	**401,874**	**6,480,660**	**6,882,534**

The amount of outstandings at the State's risk is €1.811089 billion.
Loan outstandings on behalf of the State total €203 million.
1. This item includes money-market UCITS.

	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2012
Maturity of loans to credit institutions	122,703	465,299	2,738,727	3,867,037	**7,193,766**

Total impaired outstanding loans (€107.288 million) are included in "Under 3 months".

	December 2012		December 2011	
Details of impaired term loans	Gross	Writedowns	Gross	Writedowns
Impaired outstandings (excluding related receivables)	107,288	106,983	107,183	114,815
Sovereign impaired outstandings[2]				
Non-sovereign impaired outstandings	106,983	106,983	106,953	106,953

2. Granted to governments or with their endorsement. Only the outstanding principal of these loans is the object of provisions.

Note 4 – Transactions with customers

	December 2012	December 2011
Credit to customers	**13,455,360**	11,301,953
Related receivables	66,904	61,170
Writedowns	-307,429	-305,562
TOTAL	**13,214,835**	**11,057,561**

Outstanding credit at the State's risk is €1.452791 billion at 31 December 2012.
Outstandings for loans on behalf of the State and for governmental loans stand at €21.922 million.

	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2012
Maturity of loans to customers	594,410	673,514	3,693,862	8,493,574	**13,455,360**

Total arrears on ordinary receivables (€41.133 million) and total impaired loans (€476.454 million) are included in "Under 3 months".

	December 2012		December 2011	
Details of impaired term loans	Gross	Writedowns	Gross	Writedowns
Impaired outstandings (excluding related receivables)	476,457	311,352	480,344	305,562
Sovereign impaired outstandings[3]	77,480		69,017	
Non-sovereign impaired outstandings	199,976	189,928	202,720	196,243

3. Granted to governments or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

Note 5 – Equity stakes and other long-term investments

	December 2012	December 2011
Equity stakes		
Gross value[1]	143,275	130,087
Translation difference	2,979	2,213
Related receivables		
Writedowns	18,299	19,249
NET TOTAL	**127,955**	**113,051**

1. The gross amount of listed shares totalled €11.555 million in 2011.

Note 6 – Shares in affiliated companies

	December 2012	December 2011
Gross value	313,616	313,616
Writedowns	5,980	5,980
NET TOTAL	**307,636**	**307,636**

Note 7 – Transactions with affiliated companies

	December 2012	December 2011
Assets		
Receivables due from credit institutions	2,741,918	2,319,252
Liabilities		
Term debts to credit institutions	201,937	148,922
Off-balance sheet		
Financing commitments given	832,118	1,158,538
Guarantee commitments given	685,600	657,929

Note 8 – Subsidiaries held and equity stakes

Subsidiaries held at more than 50%	PROPARCO	Soderag
Head office	151, rue Saint Honoré – 75001 Paris	Rue F. Eboué – BP 64 – 97110 Pointe-à-Pitre
Consolidated equity	420,048	5,577
Equity stake	57.43%	100%
Total net equity	584,297	-118,907
Income after tax	39,252	-5
Gross book value	242,622	5,980
Net book value	242,622	0
	Sogefom	**Fisea**
Head office	5, rue Roland Barthes – 75012 Paris	5, rue Roland Barthes – 75012 Paris
Consolidated equity	1,067	60,000
Equity stake	58.69%	100%
Total net equity	16,154	32,657
Income after tax	77	-6,602
Gross book value	5,015	60,000
Net book value	5,015	60,000

Equity stakes of between 10% and 50%

Gross value	38,923
Net value	32,440

Note 9 – Fixed assets and depreciation/amortisation

	31/12/2011	Purchases	Sales	Transfers	31/12/2012
Gross value					
Land and developments	69,019	31		17,947	86,997
Construction and developments	176,010	20,549	30	-17,937	178,592
Other property, plant and equipment	45,670	4,092	1,549	-14	48,199
Intangible assets	60,289	8,166			68,455
GROSS AMOUNT	**350,988**	**32,838**	**1,579**	**-4**	**382,243**
	31/12/2011	Provisions	Reversals	Miscellaneous	31/12/2012
Depreciation/amortisation					
Land and developments	2,152	51			2,203
Construction and developments	82,453	4,513	18	-1	86,947
Other property, plant and equipment	34,419	3,874	1,446	1	36,848
Intangible assets	47,960	5,291			53,251
Amount of depreciation/amortisation	**166,984**	**13,729**	**1,464**	**0**	**179,249**
Writedowns	**0**				**0**
NET AMOUNT	**184,004**				**202,994**

Note 10 – Other assets and liabilities

	December 2012		December 2011	
	Assets	Liabilities	Assets	Liabilities
Account payable, French State		319,652		292,129
Borrowing from French Treasury		258,076		306,280
Allocated public funds		73,330		71,398
Guarantee funds in the French Overseas Departments[1]		221,297		177,507
Other	9,999	797,889	12,003	303,039
TOTAL	**9,999**	**1,670,244**	**12,003**	**1,150,353**

1. Of which €198.624 million in the French Overseas Department Fund at 31 December 2012.

Note 11 – Accruals

	December 2012		December 2011	
	Assets	Liabilities	Assets	Liabilities
Adjustment accounts for off-balance sheet foreign-exchange positions	204,307		272,074	
Income and expenses resulting from swaps	299,171	117,091	229,447	114,685
Shared expenses and income	44,745	53,660	11,911	35,528
Other accruals	31,904	24,183	27,463	20,653
TOTAL	**580,127**	**194,934**	**540,895**	**170,866**

Note 12 – Debts to credit institutions

	December 2012		December 2011	
	Demand	Term	Demand	Term
Debts to credit institutions	86,448	**133,894**	101,839	147,057
Related debts	17	2,745	44	2,811
TOTAL	**86,465**	**136,639**	**101,883**	**149,868**

	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2012
Maturity of debts to credit institutions		132,087	368	1,439	**133,894**

Note 13 – Transactions with customers

	December 2012		December 2011	
	Demand	Term	Demand	Term
Accounts payable, customers	2,782	-	3,232	-
Related debts	1	-	10	-
TOTAL	**2,783**	**-**	**3,242**	**-**

Note 14 – Debt securities

	December 2012	December 2011
Negotiable debt securities	300,000	400,000
Bonds	14,742,149	11,973,460
Related debts	256,374	191,248
TOTAL	**15,298,523**	**12,564,708**

	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2012
Maturity of debt securities	250,162	1,882,401	6,120,615	6,488,971	**14,742,149**

Note 15 – Provisions

	December 2011	Provisions	Reversals	Translation adjustment	December 2012
Sovereign loans[1]	408,441	42,073			450,514
Performing non-sovereign loans	164,665	19,108	6,300		177,473
Undisbursed balance on non-performing receivables	0				0
Country risk - AFD/PROPARCO agreement	0	1,261	1,184	-77	0
Guarantees granted	18,700	1,191	2,750		17,141
Other guarantee funds	4,782	3,192	28	-84	7,862
French Overseas Department subsidiary risks	36,889	71	923		36,037
Other risks	12,469	31	1,589	-3	10,908
Foreign exchange losses[1]	7,340	213	93		7,460
Administrative expenses[1]	635	1			636
Staff costs[1]	69,643	3,719	437		72,925
TOTAL	**723,564**	**70,860**	**13,304**	**-164**	**780,956**

1. These provisions are not recorded in "Cost of risk".

Note 16 – Subordinated debts

	December 2012	December 2011
Subordinated debt	2,288,308	2,187,510
Lowest-ranked subordinated debts	799,691	799,251
Related debts	20,897	20,859
TOTAL	**3,108,896**	**3,007,620**

Note 17 – Reserve for General Banking Risk (RGBR)

	December 2011	Provisions	Reversals	December 2012
Reserve for General Banking Risk	460,000			460,000

Note 18 – Equity excluding RGBR

	December 2012	December 2011
Funding	400,000	400,000
Reserves	1,340,289	1,321,917
Subsidies	41,957	50,392
Unallocated income[1]	87,874	73,491
TOTAL	**1,870,120**	**1,845,800**

1. Dividends distributed to the French State in 2012 totalled €55.118 million.

Note 19 – Assets and liabilities in foreign currencies[1]

	December 2012	December 2011
Amount of assets denominated in foreign currencies[2]		3,490,852
Amount of liabilities denominated in foreign currencies[2]	5,030,450	5,294,659

1. Excluding IMF transactions and off-balance sheet hedging transactions, these transactions offset balance-sheet positions.
2. In principle, these foreign-currency positions are offset by financial futures instruments recorded off-balance sheet.

Note 20 – Interest and related income

	December 2012	December 2011
Interest and income on transactions with credit institutions	**338,993**	**310,321**
Interest on loans	143,870	123,459
Interest on short-term investments	4,394	5,476
Income from financial futures instruments	190,729	181,386
Interest and income on transactions with customers	**330,373**	**279,140**
Interest and income on bonds and other fixed-income securities	**46,131**	**36,951**
Short-term investments	17,125	7,561
Long-term investments	29,006	29,390
Other interest and similar income	**465,501**	**367,506**
Income from financial futures instruments	465,501	367,506
TOTAL	**1,180,998**	**993,918**

The amount of net reversals of provisions for interest on doubtful loans adjusted for losses on interest on bad loans is €9.755 million at 31 December 2012 compared to €447,000 at 31 December 2011.

	French Overseas Departments	French Pacific Collectivities	Foreign countries
Breakdown of revenue by geographic area	58,012	41,707	395,983

Note 21 – Interest and related expenses

	December 2012	December 2011
Interest and expenses on transactions with credit institutions	**349,791**	**283,481**
Interest on accounts payable	4,856	5,925
Expenses on financial futures instruments	344,918	277,332
Interest on borrowings	17	224
Interest and expenses on transactions with customers	**9,592**	**9,991**
Interest on subordinated debts	9,586	9,965
Other interest and expenses on transactions with customers	6	26
Interest and expenses on bonds and other fixed-income securities	**474,208**	**380,149**
Interest on interbank market securities and negotiable debt securities	495	1,957
Interest on bonds	436,693	341,285
Interest on lowest-ranked subordinated debts	37,020	36,907
Other interest and related expenses	**262,122**	**234,898**
Expenses on financial futures instruments	259,188	231,474
Interest on allocated public funds	2,934	3,424
TOTAL	**1,095,713**	**908,519**

Note 22 – Commissions on income and expenses

	December 2012	December 2011
Commissions on income	**47,011**	**42,444**
On subsidies	30,595	30,714
Other	16,416	11,730
Commissions on expenses	**383**	**311**

Note 23 – Gains or losses on investment portfolio transactions

	December 2012	December 2011
Balance of investment portfolio transactions	**4,335**	**2,059**
Capital gains on disposals	4,209	2,237
Capital losses on disposals		
Reversals of provisions for depreciation	285	2,677
Provisions for depreciation	159	2,855

Note 24 – Other income on banking operations

	December 2012	December 2011
Other income on banking operations	**252,343**	**252,210**
Subsidies	200,812	196,246
Other banking income	51,531	55,964
Net foreign currency gains		

Note 25 – Other expenses on banking operations

	December 2012	December 2011
Other expenses on banking operations	**29,257**	**25,461**
Other operational expenses	25,140	24,330
Net foreign currency losses	4,117	1,131

Note 26 – General operating expenses – Staff costs

	December 2012	December 2011
Wages and bonuses	118,287	113,941
Social security expenses	49,535	46,536
Profit sharing	3,943	9,649
Taxes and similar payments on remuneration	10,406	9,608
Provisions/reversal of provisions	3,281	1,261
Rebilling banks' staff	-15,169	-14,545
TOTAL	**170,283**	**166,450**

Note 27 – Average workforce

	Executives	Supervisors	Skilled employees	Service staff	Stationary staff	Total 2012
Head office and branches (excluding institutions)	960	153	34	2	507	1,656

Note 28 – Asset writedowns

	December 2012				December 2011
	Provisions	Reversals	Translation adjustment	Total	
Unpaid interest on loans	12,641	5,507	1	157,719	150,584
Individualised risk on loans	14,000	19,237	-2	264,551	269,790
Depreciation of equity stakes	130	1,080		24,279	25,229
Depreciation of short-term investments	159	285		52	178
TOTAL	**26,930**	**26,109**	**-1**	**446,601**	**445,781**

Note 29 – Cost of risk[1]

	December 2012			December 2011
	Provisions	Reversals	Total	
Provisions (Note 15)[1]	24,855	12,774	-12,081	-33,787
Depreciation of principal of impaired loans (Note 28)	14,000	19,237	5,237	771
Losses on principal of bad loans	-1,976		-1,976	-736
TOTAL	**36,879**	**32,011**	**-8,820**	**-33,752**

1. These figures do not include the first line or the last three lines of Note 15.

Note 30 – Gains or losses on fixed assets

	December 2012	December 2011
Gains or losses on financial fixed assets	**1,794**	**3,728**
Capital gains and losses	750	3,022
Provisions/reversals for depreciation	1,044	706
Gains or losses on other fixed assets	**81**	**1,501**
TOTAL	**1,875**	**5,229**

Note 31 – Commitments on financial futures excluding IMF transactions[1]

	December 2012		December 2011	
	Notional	Valuation[2]	Notional	Valuation[2]
Outright transactions				
Interest rate swaps (hedging transactions)	-13,214,741	234,863	8,678,044	-19,228
Currency swaps (hedging transactions)	17,912,565	101,454	16,144,790	263,177
Commitments received	*9,070,456*		*8,235,984*	
Commitments given	*8,842,109*		*7,908,806*	
Other instruments (hedging transactions)				
Options	-304,600	438	-335,350	1,983

1. This information does not appear in the publishable off-balance sheet.
2. These financial instruments are valued with reference to market value.

	Under 1 year	1 to 5 years	Over 5 years	Total 2012
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	-264,667	-4,218,305	-8,731,769	-13,214,741
Currency swaps	2,886,507	7,259,102	7,766,956	17,912,565
Commitments received	*1,418,732*	*3,728,872*	*3,922,852*	*9,070,456*
Commitments given	*1,467,775*	*3,530,230*	*3,844,104*	*8,842,109*
Options				0

Note 32 – Counterparty risks, by rating, on financial futures instruments excluding IMF transactions[1]

Banking counterparty rating	31/12/2012 Valuation[2]	31/12/2011 Valuation[2]
AAA	9,127	
AA	-1,954	96,631
A	438,009	162,219
BBB	37,908	49,218
TOTAL	**483,090**	**308,068**

1. Counterparty risk on derivatives relating to financing IMF transactions is hedged by the overall guarantee granted to AFD by the French State for this purpose.
2. Replacement cost is represented by the net gain on market values. If the balance is negative, the cost is zero.

Note 33 – Other off-balance sheet commitments

	December 2012	December 2011
Guarantee commitments received from the French State on loans	3,862,286	3,937,178
Guarantee commitments received from credit institutions	62,361	70,583
Guarantee commitments given to credit institutions	866,921	912,168
Guarantee commitments given on securities	246,132	234,138
Guarantee commitments given to customers	818,326	751,619

Note 34 – Investments held in managed funds[1]

Fund source	Number of investments	Purchase price
Caisse d'investissement des DOM (Cidom)	4	7,745
Fonds d'aide et de coopération (FAC)	1	457
Fonds d'investissement et de développement économique et social (Fides)	5	642
Fonds d'investissement des DOM (Fidom)	14	3,213
Other government resources	7	8,762
TOTAL	**31**	**20,819**

1. This information does not appear in the publishable off-balance sheet.

Note 35 – Compensation of executive officers

Gross annual compensation allocated to executive officers is €374,017.

Note 36 – Corporation tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments is subject to corporate taxation.

Note 37 – Risk exposure

AFD operates on its own behalf in financial futures markets as part of its own activities and those delegated to it by the French State. These transactions are undertaken within limits authorised by the Chief Executive Officer with the agreement of the Board of Directors.

Note 38 – Exceptional income

	December 2012	December 2011
Exceptional gains	538	51
Exceptional losses	789	391
NET TOTAL	**-251**	**-340**

5.5 STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Year ended 31 December 2012

Dear Sir or Madam,

In compliance with the assignment entrusted to us by your Board of Directors, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the accompanying financial statements of Agence Française de Développement;
- the justification of our assessments;
- specific information and verification required by law.

These annual financial statements have been approved by the Chief Executive Officer. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

Justification of our assessments

In application of Article L.823-9 of the French Commercial Code governing the justification of our assessments, we would like to bring the following to your attention:

- Credit risk provisioning is an area of accounting assessment important in all banking activity: Agence Française de Développement records provisions for losses from loans to customers and financial institutions to cover the credit risk inherent in its activities, as described in Notes 2.3, 2.10, 3-4 and 3-15. As part of our assessment of these accounting estimates, we examined the credit risk review process, the assessment of irrecoverability risks and the adequacy of allowances for these loan losses on an individual or collective basis.
- Agence Française de Développement records writedowns and provisions on shares in related businesses, equity securities and long-term securities, as described in Notes 2.5, 3-5 and 3-6. Based on the information available at this time, our assessment of the reasonableness of accounting estimates made is founded on an analysis of Agence Française de Développement's process for identifying and quantifying risks, as well as on the examination of information presented by Agence Française de Développement, to evaluate these writedowns and book these provisions.
- Agence Française de Développement records others provisions as described in Notes 2.10 and 3-15to the financial statements. Based on the information available at this time, our assessment of these provisions is founded on an analysis of Agence Française de Développement's process for identifying and quantifying risks, and their coverage by the necessary provisions.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific information and verification

We have also performed, in accordance with professional standards applicable in France, the specific verification required by French law. We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Paris-La Défense, 17 April 2013

KPMG Audit
A department of KPMG SA
Arnaud Bourdeille
Partner

Courbevoie, 17 April 2013

Mazars
Max Dongar
Partner

5.6 AFD'S FINANCIAL RESULTS OVER THE LAST FIVE YEARS

In millions of euros	2012	2011	2010	2009	2008
Funding + Reserves + Income (€M)	**1,828**	**1,795**	**1,793**	**1,909**	**1,830**
Net banking income (€M)	363	361	383	466	344.09
Net income (€M)	87.9	73.5	103.7	246.5	167.17
Net income/funding + reserves + income	4.81%	4.09%	5.78%	12.91%	9.14%
Net income/balance sheet total	0.37%	0.36%	0.59%	1.63%	1.18%
Staff					
Number of employees (average)	1,656	1,607	1,523	1,427	1,329
Total payroll costs (€M)	170.3	166.5	155.5	140.1	146.3
Of which social and cultural initiatives (€M)	10.7	15.6	11.8	10.7	8.7

5.7 STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Dear Sir or Madam,

In our capacity as statutory auditors of Agence Française de Développement, we hereby present our report on your regulated agreements and commitments.

On the basis of the information provided to us, we are required to inform you of the terms and conditions of the agreements and commitments of which we have been informed or that we discovered during our assignment. It is not our role to determine whether they are beneficial or appropriate or to look for the existence of other agreements. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code, to evaluate the benefits arising from these agreements prior to their approval.

Where applicable, we are also responsible for presenting you with the information provided for in Article R.225-31 of the French Commercial Code relating to the execution, during the year elapsed, of the agreements already approved by the Board of Directors.

We performed the procedures we considered necessary in accordance with the professional guidance issued by the national institute of auditors ("Compagnie nationale des commissaires aux comptes") relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the basic documentation from which it was taken.

Agreements and commitments submitted to the Board of Directors for its approval

In accordance with Article L.225-40 of the French Commercial Code applicable to your establishment in compliance with Article L.511-39 of the French Monetary and Financial Code, we were informed of the following agreements and commitments that were subject to the prior authorisation of your Board of Directors.

Agreements and commitments authorised during the financial year elapsed

1. Agreement on the Solidarity Fund for Development (FSD)

Contracting counterparty: The French State

Purpose and conditions:

On 13 February 2012, AFD and the French State signed an agreement defining the terms of AFD's management of the Solidarity Fund for Development.

This agreement received prior authorisation from your Board of Directors on 16 November 2011.

AFD is responsible for managing the Solidarity Fund for Development on behalf and at the risk of the State. This fund is financed by the surtax on airplane tickets enacted by the 2005 amending finance bill.

As part of its management of the Solidarity Fund for Development, AFD also has the following responsibilities:

- managing France's contribution to the International Drug Purchase Facility (Unitaid);
- managing France's contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria ("Global Fund").

This agreement revokes and replaces the agreement on the French contribution to the International Finance Facility for Immunisation and the Solidarity Fund for Development dated 28 September 2006, as well as Amendment No. 1 dated 17 December 2009 following the modification of Decree No. 2006-1139 dated 12 September 2006 by Decree No. 2011-1237 dated 4 October, which essentially introduced a new fund beneficiary.

In 2012, AFD was paid a fixed-rate fee of €80,000.

2. Agreement on French subsidization of UEMOA's bodies and institutions (West African Economic and Monetary Union)

Contracting counterparty: The French State

Purpose and conditions:

On 13 December 2012, AFD and the French State signed an agreement defining the operating conditions under which AFD grants UEMOA's bodies and institutions a multi-year subsidy for 2012-2013 in the amount of €40 million, of which €20 million is for 2012.

This agreement, which was signed on behalf of and at the risk of the French State, is intended to contribute to better integrating member states with their surrounding region.

This agreement received prior authorisation from your Board of Directors on 8 November 2012.

AFD's fee for implementing this agreement was set at a fixed rate of 1.5% of the funds allocated to the subsidy.

No payment was made under this agreement for 2012.

3. Agreement on Managing FFEM (French Global Environment Facility) and the bilateral share of the Multilateral Fund for the Implementation of the Montreal Protocol

Contracting counterparty: The French State

Purpose and conditions:

On 14 May 2012, AFD and the French State signed an agreement that sets out the respective responsibilities of AFD and the French Global Environment Facility (FFEM) secretariat, the resources allocated to them under this framework, as well as the procedures for managing funds entrusted to AFD by, on behalf and at the risk of the State. The expenses borne by AFD to execute this agreement are deducted from the funds paid by the State according to the procedures set by the agreement.

This agreement received prior authorisation from your Board of Directors on 12 April 2012.

No payment was made under this agreement for 2012.

4. Amendment No. 2 to the Agreement on the French Alliance for Cities and Territorial Development (PFVT)

Contracting counterparty: The French State

Purpose and conditions:

On 23 November 2012, AFD and the French State signed Amendment No. 2, which sets the amount and allocation of funds for the State's 2012 financial year. The amount of commitments that will be made available to AFD for financing the PFVT's action agenda is €80,000 for 2012.

This agreement received prior authorisation from your Board of Directors on 12 July 2012.

No payment was made under this agreement for 2012.

5. Amendment No. 2 to the AFD/PROPARCO service provision agreement

Contracting counterparty: PROPARCO

People involved:

- Mr Dov Zerah, Chief Executive Officer of AFD and Chairman of PROPARCO's Board of Directors
- Mr Didier Mercier, Deputy Chief Executive Officer of AFD and Vice-Chairman of PROPARCO's Board of Directors
- Mr Stéphane Foucault, Corporate Secretary of AFD and permanent AFD representative on PROPARCO's Board of Directors

Purpose and conditions:

On 23 December 2009, AFD signed a service provision agreement with its subsidiary PROPARCO. This agreement, which took effect on 1 March 2009, redefines the contractual relationship between AFD and its subsidiary by itemising the services rendered to PROPARCO by AFD's various departments, at head office and throughout the network, along with the corresponding billing terms.

On 29 December 2011, AFD and its subsidiary PROPARCO signed Amendment No. 1 to the service provision agreement.

On 13 August 2012, AFD and its subsidiary PROPARCO signed Amendment No. 2 to the service provision agreement. It amends some articles and appendices to the initial agreement signed on 23 December 2009. Amendment No. 2 cancels and replaces Amendment No. 1 signed on 23 December 2011.

This agreement received prior authorisation from your Board of Directors on 27 June 2012.

It primarily redefines:

- the purpose and extent of AFD/PROPARCO services;
- the invoicing and payment procedures for agents governed by AFD's bylaws and made available;
- ongoing control, compliance and security services for activities;
- periodic controls.

The income booked by AFD under this agreement for the period from 1 January 2012 to 31 December 2012 totalled €23.727M in 2012.

Agreements and commitments already approved by the Board of Directors

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the execution of the following agreements, already approved by the Board of Directors in previous years, continued last year.

1. Agreement relating to the management of the facility for financing non-governmental organisation (NGO) initiatives

Contracting counterparty: The French State

Purpose and conditions:

AFD and the MAEE (Ministry of Foreign Affairs) concluded an agreement governing the management of the facility for financing non-governmental organisation initiatives on 16 February 2009 for a five-year term. The conditions under which AFD would implement, on the behalf and at the risk of the French State, the financing of NGO initiatives and the analysis and technical and operational monitoring of the related financing applications, were defined within this framework.

Under the amendment to the agreement concluded on 2 April 2009, some provisions according to which AFD implements, on behalf and at the risk of the French State, the financing of NGO initiatives and the analysis and technical and operational monitoring of the related financing applications were supplemented.

AFD received no remuneration under this agreement in 2012.

2. Framework agreement between AFD and the MIIINDS

Contracting counterparty: The French State

Purpose and conditions:

AFD and the MIIINDS (Ministry of Immigration, Integration, National Identity and Solidarity-Based Development) concluded a framework agreement on 10 October 2008 intended to set the conditions under which AFD may manage solidarity-based development operations on behalf and at the risk of the French State.

AFD receives a flat-rate fee equivalent to 10% of the operation's total amount, from which the net investment income from the investment of the funds received by AFD is deducted.

AFD paid out €9.451M under this agreement in 2012.

Following the adjustment of fees received in 2011, AFD booked a €75K charge under this agreement in 2012.

3. Implementation of the additional bilateral debt reduction initiative for heavily indebted poor countries (HIPC)

Contracting counterparty: The French State

Purpose and conditions:

On 29 December 2003, AFD and the French State signed an agreement that entrusts AFD with implementing the additional bilateral component of the debt reduction initiative for beneficiary countries in the Priority Solidarity Zone (PSZ), according to the terms set out by this agreement.

AFD was paid a fee of €2.5M in 2012 under this agreement.

4. Agreement relating to the Mayotte Guarantee Fund (FGM) – Takeover and management of the fund

Contracting counterparty: The French State

Purpose and conditions:

By agreement signed on 19 December 2000, AFD took over in its own name and assumed legal and financial responsibility for the Mayotte Guarantee Fund, both for existing and future guarantee operations, effective as of 1 January 2001.

On 5 November 2008, Amendment No. 2 cancelled and replaced Amendment No. 1, notably applying to the "Social housing – LATS" division:

- defining the terms of the Mayotte Guarantee Fund's management and intervention within this division;
- noting the setting of a maximum guarantee quota;
- enabling AFD to use the services of a social interface;
- recording the membership of the French Overseas Department of Mayotte as a financial backer and, accordingly, additional funding for this division in the form of a €250,000 grant.

On 23 December 2008, the "Strategic Sector" division was created under Amendment No. 3 so that the French Overseas Department of Mayotte could pay a €450,000 subsidy into the Mayotte Guarantee Fund.

As part of the implementation of the French economic stimulus plan in Mayotte, on 22 October 2009, Amendment No. 4 enacted the creation within the Mayotte Guarantee Fund of eight new divisions formalising the implementation of a "Cash reinforcement" facility and a "Confirmed short-term credit line" facility.

AFD, the French Overseas Department of Mayotte and the French State concluded amendment No. 5 to the agreement governing the Mayotte Guarantee Fund on 24 June 2010. It clarifies a number of provisions of the agreement of 19 December 2000 and notably:

- Sofider's participation in loan arrangement and collection and any enforcement of the Mayotte Guarantee Fund's guarantee;
- the allocation of State aid for the construction of housing for heavily subsidised (LATS) and subsidised (LAS) home purchases.

On 30 September 2010, AFD, the French Overseas Department of Mayotte and the French State concluded Amendment No. 6 to the agreement governing the Mayotte Guarantee Fund, which supersedes Amendment No. 4, effective as of 31 December 2010. The terms for implementation of a "Cash reinforcement" facility and a "Confirmed short-term credit line" facility were extended within this framework.

On 7 September 2011, the French Overseas Department of Mayotte and the French State concluded Amendment No. 7 to the agreement governing the Mayotte Guarantee Fund, in which the State grants €350,000 to FGM's "General Economy" division in order to maintain the Fund's ability to make commitments in 2011. The Department of Mayotte also authorised the reallocation of a €450,000 grant initially intended for the "Strategic Sectors" division to the "General Economy" division. The facility applies to guarantees granted until 31 December 2012.

AFD was paid €209,000 in 2012 under this agreement.

5. Protocol agreement relating to the Saint-Pierre-et-Miquelon Interbank Guarantee Fund – Takeover and management of the fund

Contracting counterparty: The French State

Purpose and conditions:

By agreement signed on 22 December by AFD and the French State, AFD took over in its own name and assumed legal and financial responsibility for the Saint-Pierre-et-Miquelon Interbank Guarantee Fund. This agreement affects existing and future guarantee operations, effective as of 1 January 2001.

AFD also manages this fund, in exchange for a fee.

On 2 September 2010, AFD and the French State concluded Amendment No. 2 to the agreement governing the Saint-Pierre-et-Miquelon Interbank Guarantee Fund, which cancels and replaces Amendment No. 1, for guarantees granted until 31 December 2010. The terms for implementation of a "Cash reinforcement" facility and a "Confirmed short-term credit line" facility were extended within this framework.

AFD was paid €49,000 in 2012 under this agreement.

6. Takeover of the Aria guarantee fund as part of the Ariz facility

Contracting counterparty: The French State

Purpose and conditions:

On 28 December 2000, AFD and the French State signed an agreement in which AFD took over in its own name and assumed legal and financial responsibility for the Aria guarantee fund. This agreement affects existing and future guarantee operations under the Ariz framework, effective as of 1 January 2001.

AFD receives a fee equal to 50% of the guarantee commissions received and 10% of the financial income received from the investment of cash.

AFD received €55,000 in fees in 2012.

7. Agreement relating to the French mesofinance subsidy

Contracting counterparties: The French State

Purpose and conditions:

AFD and the French State signed an agreement governing the French subsidy for mesofinance dated 4 September 2007. The French State, which has undertaken to contribute financially to the development of the mesofinance sector in certain African countries, by setting up mechanisms to make up the shortfall in the financing available to small businesses, has tasked AFD with implementing this contribution. Under this agreement, the French State paid AFD €3 million in 2007.

AFD and the French State signed a second agreement relating to the financing of mesofinance development in Africa on 19 June 2009. The purpose of this agreement was to set up additional financing of €7 million for the implementation of a mechanism to support the development of the mesofinance sector in Africa.

AFD was paid a €56,000 fee in 2012. AFD disbursed €1.121M in 2012.

8. Agreement relating to the provisioning of sovereign loans granted by AFD on its own behalf

Contracting counterparty: The French State

Purpose and conditions:

AFD and the French State concluded an agreement relating to the provisioning of the sovereign loans granted by AFD on its own behalf dated 30 December 2010, with retroactive effective on 1 July 2009.

The following were defined within this framework:

- the conditions according to which AFD makes provisions against the French State's resources for sovereign loan defaults and the conditions for using the provisions made;
- that the total provisions for risks and expenses related to sovereign loans made in AFD's books amounted to €326.112M at 30 June 2009;

This provision amounted to €451.096M at 31 December 2012.

9. Agreement relating to the French subsidy to the UEMOA (West African Economic and Monetary Union)
Contracting counterparty: The French State
Purpose and conditions:
On 20 July 2010, AFD and the French State signed an agreement for granting the UEMOA Commission an annual subsidy of €20 million for 2010, on behalf and at the risk of the French State.
The following were defined within this framework:
- the terms for managing the financial contribution to improving the regional integration of the UEOMA's member States;
- the terms governing AFD's fee, which is set at a flat rate of 1.5% of the amount of the funds allocated to the subsidy.

On 9 December 2011, AFD and the French State signed an agreement setting AFD's operating conditions for granting the UEMOA Commission an annual subsidy of €20 million for 2011, on behalf and at the risk of the French State.
No payment was made to AFD under these agreements for 2012.

10. Agreement relating to the French subsidy to the Cemac (Central African Economic and Monetary Community)
Contracting counterparty: The French State
Purpose and conditions:
On 1 October 2010, AFD and the French State signed an agreement governing the French subsidy to the Cemac in the amount of €30,000 for 2007-2008.
The following were defined within this framework:
- the terms according to which AFD manages the "budgetary aid" subsidy on behalf and at the risk of the French State;
- the terms governing AFD's fee, which is set at a flat rate of 1.5% of the amount of the funds allocated to the subsidy.

On 9 December 2011, AFD and the French State signed an agreement setting AFD's operating conditions for granting the Cemac a multi-year subsidy for 2011-2013 in the amount of €60 million, of which €20 million is for 2011, on behalf and at the risk of the French State.
AFD received no remuneration under this agreement in 2012.

11. Framework agreement between the State and AFD relating to the payment of €10M to Siguy (Société immobilière de Guyane)
Contracting counterparty: The French State
Purpose and conditions:
AFD and the French State signed a framework agreement relating to a partner current account advance of €10M on 13 August 2003. This advance paid to Siguy is intended for the purchase of land, with a view to the creation of a land reserve and the prefinancing of housing construction.
AFD and the French State concluded Amendment No. 1 to the framework agreement governing the payment of this advance dated 31 December 2010, which amends the initial date for repayment of the funds by postponing it from 2010 to 2011.
On 19 December 2011, AFD and the French State signed Amendment No. 2 to the framework agreement governing the payment of this advance. It provides for repayment in five instalments staggered over five years, as well as a 2.06% fee for this advance, effective as of the date the amendment was signed.
A €500,000 payment was made in 2012.
No fee was paid to AFD under this agreement for 2012.

12. Management agreement relating to the guarantee fund for the agricultural, fishing, timber and aquaculture sectors
Contracting counterparty: The French State
Purpose and conditions:
AFD and the French State concluded a management agreement governing the guarantee fund for the agricultural, fishing, timber and aquaculture sectors dated 9 December 2010.
The following were defined within this framework:
- that AFD keeps an annual commission equal to 1% of the amount of the Guarantee's outstandings and 100% of the income from investment of the Fund's cash;
- that the amount of the funding received in 2010 reaches €10M.

AFD received no remuneration under this agreement in 2012.

13. Management agreement relating to the French Overseas Department Fund
Contracting counterparties: Oséo SA (formerly Oséo Garantie) and the French State
Purpose and conditions:
AFD, Oséo SA (formerly Oséo Garantie) and the French State concluded a management agreement governing the French Overseas Departments Fund on 22 December 2009.
The terms according to which the State entrusted legal and financial responsibility for the French Overseas Department Fund to AFD were defined within this framework:
- responsibility for the activities and risks relating to the Fund's business and its bookkeeping are entrusted to AFD;
- Oséo Garantie benefits from AFD's counter-guarantee totalling 100% of its risk exposure to the guarantees. AFD subtracts losses on Guarantees from the Fund and assumes the risk of the Fund's exhaustion;
- all appropriations received or to be received for the French Overseas Department Fund are transferred to AFD, including all associated rights, starting 1 October 1999.

Under Amendment No. 1 to the management agreement relating to the French Overseas Department Fund dated 22 December 2009, concluded on this same date, a "French Overseas Department – Cash reinforcement" facility was created within the French Overseas Department Fund, consisting of four sub-funds named "French Overseas Departments – SME cash reinforcement guarantee", "French Overseas Departments – Intermediate-Size Business (ETI) cash reinforcement guarantee", "French Overseas Departments – SME cash reinforcement over-guarantee", and "French Overseas Departments – Intermediate-Size Business (ETI) cash reinforcement over-guarantee", for which AFD may make priority use of funding, totalling €3.9 million, to cover on a shared basis the guarantees issued in relation to these sub-funds for all of the French Overseas Departments covered by the French Overseas Department Fund.
On 11 June 2010, AFD, Oséo Garantie and the French State concluded Amendment No. 2 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The amount of the additional funding disbursed by the French State to AFD to meet the needs of the French Overseas Department Fund for 2009, i.e. €5 million, was defined within this framework. AFD received all of the funding in 2010.
On 10 September 2010, AFD, Oséo Garantie and the French State concluded Amendment No. 4 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The conditions for extending the short-term bank loan consolidation facility, which forms part of the French

economic stimulus plan rolled out in the French Overseas Departments, Saint-Martin and Saint Barthélemy, were defined within this framework.
On 13 September 2010, AFD, the French State and Oséo Garantie concluded Amendment No. 5 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The new terms of the French Overseas Department Fund's operations were defined within this framework to allow the creation of two new Saint-Martin and Saint-Barthélemy sub-funds.
On 30 May 2011, AFD, the French State and Oséo Garantie concluded Amendment No. 6 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The redeployment of €4.5 million in funding for the French Overseas Department Fund for 2010 was defined within this framework.
On 20 June 2011, AFD, the French State and Oséo Garantie concluded Amendment No. 7 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The French State's disbursement of a €4.5 million budget allocation to meet the needs of the French Overseas Department Fund for 2011 was allowed within this framework.
On 27 March 2012, AFD, Oséo Garantie and the French State concluded Amendment No. 8 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. Under this framework, the terms were defined for repaying the State €2 million in funds allocated to the short-term bank loan consolidation facility, which is part of the French economic stimulus plan rolled out in the French Overseas Departments, Saint-Martin and Saint-Barthélemy through the French Overseas Department Fund.
On 25 June 2012, AFD, Oséo Garantie and the French State concluded Amendment No. 9 to the agreement governing the management of the French Overseas Department Fund dated 22 December 2009. The French State's disbursement of a €4.2 million budget allocation to meet the needs of the French Overseas Department Fund for 2012 was allowed within this framework.
AFD was paid a fee of €1.509 million in 2012 under this agreement.

14. Agreement relating to the Confirmed Short-Term Credit Line Guarantee Fund for the French Overseas Departments (LCCTC-DOM)

Contracting counterparties: Oséo SA (formerly Oséo Garantie) and the French State
Purpose and conditions:
On 26 May 2009, AFD, Oséo SA (formerly Oséo Garantie) and the French State concluded an agreement governing the Confirmed Short-term Credit Line Guarantee Fund for the French Overseas Departments (LCCTC-DOM), for a one-year term that may be prolonged by tacit renewal. Within this framework,

- the LCCTC-DOM Guarantee Fund was created at AFD, which assumed legal and financial responsibility for the fund and receives the funding from the French State provided for this purpose. The risk of the Fund's exhaustion is fully covered by AFD;
- the issue of guarantees and their administrative management have been entrusted to Oséo Garantie;
- four sub-funds were created named "French Overseas Departments – SME confirmed credit line guarantee", "French Overseas Departments – Intermediate-Size Business (ETI) confirmed credit line guarantee", "French Overseas Departments – SME confirmed credit line over-guarantee", and "French Overseas Departments – Intermediate-Size Business (ETI) confirmed credit line over-guarantee", for which AFD may use funding totalling €15.8 million to cover on a shared basis the guarantees issued in relation to these sub-funds for all of the French Overseas Departments and the Overseas Territories of Saint-Martin and Saint-Barthélemy covered by the LCCTC-DOM Guarantee Fund.

On 13 September 2010, AFD, Oséo Garantie and the French State concluded an amendment to the agreement of 26 May 2009 defining the conditions under which the stimulus plan facility was to be extended to 31 December 2010.
Under this agreement, AFD received the following remuneration for each loan guaranteed:

- 0.2% of the commission calculated according to the authorised amount of the confirmed credit line, in accordance with the provisions relating to the cost of the guarantee;
- 5% of the net income from the investment of the LCCTC-DOM Guarantee Fund's cash.

AFD was paid a fee of €4,000 in 2012 under this agreement.

15. Creation and management of the Fasep-Garantie fund and counter-guarantee given to Sofaris on up to 50% of the fund's exhaustion risk exposure

Contracting counterparties: Oséo SA (formerly Sofaris) and the French State
Purpose and conditions:
Under this agreement, a guarantee fund named Fasep-Garantie was created at Fasep.
This fund is primarily intended to help establish and develop French small and medium-sized enterprises abroad. AFD and Oséo SA (formerly Sofaris) manage this fund. AFD and Sofaris also cover an equal share of the fund's exhaustion risk and, under the agreement, AFD is bound to provide a 50% counter-guarantee to Sofaris.
AFD's fee for managing this fund amounted to €77,000 in 2012.

16. Agreement relating to the implementation by AFD and Sogefom of the SME financing support plan and the economic stimulus plan

Contracting counterparties: Société de gestion des fonds de garanties d'Outre-mer (Sogefom) and the French State
Purpose and conditions:
On 30 June 2009, AFD, Sogefom and the French State concluded an agreement governing the implementation of the SME financing support plan and the economic stimulus plan.
This agreement is aimed at defining within this framework the terms for the implementation, monitoring and financing of the various measures in the French Overseas Departments and Collectivities by AFD or Sogefom.
The financial resources deployed under the SME financing support plan and the French economic stimulus plan totalled €25.8M at 31 December 2010.
On 15 November 2010, AFD, Sogefom and the French State concluded an agreement governing the implementation of the SME financing support plan and the economic stimulus plan.
The terms for extending the economic stimulus plan in the French Overseas Departments and Collectivities and the amount and breakdown, by French Overseas Department and Territory and guarantee facility, of the funds earmarked for the implementation of the stimulus plan, along with their terms of use, were defined within this framework.
AFD received no remuneration under this agreement in 2012.

17. AFD/Sogefom Service provision agreement

Contracting counterparties: Société de gestion des fonds de garanties d'Outre-mer (Sogefom)

Purpose and conditions:

On 15 March 2004, AFD and Sogefom signed a service provision agreement with retroactive effect from 28 August 2003. This agreement enables AFD to provide management, representation and technical support services to Sogefom.

AFD was paid a fee of €1.028 million under this agreement in 2012.

18. Cessation of interest on advances to shareholder current accounts

Contracting counterparties: Société de développement régional Antilles-Guyane (Soderag)

Purpose and conditions:

For the financial years ended 1997, 1998 and 1999, AFD granted Soderag interest-bearing current account advances in the amount of €47M. These advances were intended to reinforce Soderag's capital. Because of Soderag's irremediably compromised position since it went into voluntary liquidation in 1998 and given its status of sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

19. Provision of non-interest bearing shareholder advances to Soderag

Contracting counterparties: Société de développement régional Antilles-Guyane (Soderag)

Purpose and conditions:

Between 1999 and 2005, AFD, as sole shareholder, provided additional non-interest-bearing current account advances to Soderag so that its liquidation could continue. Agreements were signed before the current account advances were granted.

At 31 December 2012, AFD's receivables from agreements signed between 1997 and 2005 totalled €106.346M excluding interest.

20. Agreement relating to the refinancing and guaranteeing of the customer loan portfolios taken over from Soderag by the three SDCs (departmental credit companies)

Contracting counterparties: Société de crédit pour le développement de la Martinique (Sodema), Société de crédit pour le développement de la Guadeloupe (Sodega) and Société financière pour le développement économique de la Guyane (Sofideg)

Purpose and conditions:

Under the terms of the protocol agreements signed in October and November 1998 between AFD, Soderag and the three SDCs, the latter acquired the portion of Soderag's customer loan portfolio relating to their Department, as Soderag was in liquidation. In September and October 2000, three additional protocol agreements were signed with the three departmental credit companies, setting out the terms of Soderag's management of the loan portfolio.

At 31 December 2012, outstanding loans granted to each of the three SDCs amounted to €11.308M for Sodema, €21.153M for Sodega and €1.320M for Sofideg.

These loans are remunerated as follows: two thirds of the interest and early repayment charges received by the SDCs from customer loans are paid to AFD.

The loans' principal is repaid by the SDCs to the extent that it is repaid by customers, bearing in mind that the total repayment is limited to the acquisition value of the loans.

Lastly, AFD provides the SDCs with guarantees of the outstanding capital of the loans taken over, up to their net book value.

In 2012, AFD was paid fees and interest for these loans that amounted to €120,000 from Sodema, €26,000 from Sofideg and €328,000 from Sodega.

In 2012, up to €29.844 million of the credit risk assumed by AFD was covered by a provision for risks for the Soderag portfolio transferred to the three SDCs, producing a net reversal in 2012 of €852,000.

21. Lending agreements

Contracting counterparties: The Fondation pour les études et recherches sur le développement international (Ferdi) and the Fondation de recherche pour le développement durable et les relations internationales (Fonddri)

Purpose and conditions:

Under two agreements respectively signed with the Ferdi and the Fonddri, AFD undertook to grant an interest-free loan of €12.5M, repayable in one instalment after 15 years.

Loan outstandings amounted to €25M at 31 December 2012.

AFD received no remuneration under this agreement in 2012.

22. Agreement relating to AFD's coverage of PROPARCO's country risk

Contracting counterparty: PROPARCO

Purpose and conditions:

The agreement signed by AFD and PROPARCO on 17 December 1998 defined the nature of PROPARCO's country risk exposure and the terms of its coverage by AFD. Under these terms, AFD received no remuneration for covering the country risks to which PROPARCO is exposed through the loans that it refinances.

On 23 November 2007, AFD and PROPARCO signed Amendment No. 4 to this agreement, defining the limits of country risk coverage, to the loans financed within the refinancing limits up until 31 December 2004 and to the guarantees signed up until 31 December 2006.

In 2012, AFD made no reimbursements to PROPARCO.

23. Agreement on the conversion of Mali's debt to France

Contracting counterparty: The French State

Purpose and conditions:

AFD and the French State signed an agreement setting the terms and conditions for allocating funds as part of the debt conversion agreement between the Republic of Mali and the French State dated 27 July 2011.

AFD disbursed €7.2M in 2011. No fees or interest were paid to AFD under this agreement for 2012.

24. Agreement on managing the FCR (Martinique)

Contracting counterparty: The French State

Purpose and conditions:

On 24 October 2011, AFD and the French State signed an agreement setting conditions for AFD's management of Martinique's Fonds de Coopération Régionale, in exchange for a fee paid to AFD equivalent to 2% of payments made. In 2011, AFD received a subsidy of €163,000.

On 6 December 2011, AFD and the French State signed Amendment No. 1 with the purpose of determining an additional grant of €238,000 on behalf of the French State for managing the FCR.

On 20 December 2012, AFD and the French State signed Amendment No. 2 with the purpose of determining an additional grant of €167,000 on behalf of the French State for managing the FCR.

AFD received no remuneration under this agreement in 2012.

25. Agreement and amendment related to the French Alliance for Cities and Territorial Development (PFVT)
Contracting counterparty: The French State
Purpose and conditions:
On 4 November 2011, AFD and the French State signed an agreement for coordinating the technical secretariat of the French Alliance for Cities and Territorial Development (PFVT). Amendment No. 1, also signed on 4 November 2011, specifies the allocation of loans granted by the State. In 2011, the annual instalment related to the first disbursement recorded by AFD was €553K, of which €47K was for expenses and €506K was for implementing the PFVT's programme. AFD received no remuneration under this agreement in 2012.

26. AFD/IEOM Service provision agreement
Contracting counterparty: IEOM
Purpose and conditions:
AFD and IEOM signed a service provision agreement on 21 July 2011 (with retroactive effect as from 1 January 2011). Within this framework, AFD will provide services for collectively or individually managing locally-hired employees with institutional status on IEOM's behalf. The income booked by AFD under this agreement for the period from 1 January 2012 to 31 December 2012 totalled €2.068M in 2012.

Signed in Paris-La Défense and Courbevoie, 17 April 2013

The Statutory Auditors

KPMG Audit
Arnaud Bourdeille

Mazars
Max Dongar

5.8 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

	MAZARS				KPMG AUDIT			
	Amount		%		Amount		%	
In thousands of euros	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
Statutory audit and certification of AFD Group's financial statements	186	178	89%	100%	207	197	90%	100%
Parent company (AFD)	131	128	63%	72%	131	128	57%	65%
Fully consolidated subsidiaries	55	50	27%	28%	77	70	33%	35%
Additional assignments	23	0	11%	0%	23	0	10%	0%
Parent company (AFD)	23		11%	0%	23		10%	0%
Fully consolidated subsidiaries	0	0	0%	0%	0	0	0%	0%
Subtotal	**208**	**178**	**100%**	**100%**	**230**	**197**	**100%**	**100%**
Other services								
Legal, tax, social security			0%	0%			0%	0%
OTHER			0%	0%			0%	0%
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL FEES EXCLUDING VAT	**208**	**178**	**100%**	**100%**	**230**	**197**	**100%**	**100%**

6. PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

6.1 NAME AND POSITION

Mr Dov Zerah: Chief Executive Officer

6.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I certify that I have taken all reasonable steps to ensure that the information contained in this registration document is, to the best of my knowledge, correct and that no fact has been omitted that would be likely to alter its scope.

I certify that to the best of my knowledge the financial statements are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The management report faithfully reflects the development of the business, financial position and results of the company and all the subsidiaries included in the scope of consolidation, and describes the primary risks and uncertainties with which they have to contend.

The historical financial information about the consolidated financial statements for the financial year ended 31 December 2012, presented in this registration document, is covered in a report by the statutory auditors, which includes an observation on page 84.

I have obtained a letter from the statutory auditors stating that they have completed their assignment, which included verifying the information relating to the financial position and the financial statements provided in this document as well as reading the entire registration document.

Signed in Paris on 29 April 2013

Chief Executive Officer
Dov Zerah

6.3 NAME, ADDRESS AND QUALIFICATION OF THE FINANCIAL STATEMENTS' STATUTORY AUDITORS

	For 2010		For 2011		For 2012	
Name	Mazars	KPMG Audit	Mazars	KPMG Audit	Mazars	KPMG Audit
Represented by	Odile Coulaud	Arnaud Bourdeille	Max Dongar	Arnaud Bourdeille	Max Dongar	Arnaud Bourdeille
Address	61, rue Henri Regnault 92075 Paris-La Défense Cedex	1, cours Valmy 92923 Paris-La Défense Cedex	61, rue Henri Regnault 92075 Paris-La Défense Cedex	1, cours Valmy 92923 Paris-La Défense Cedex	61, rue Henri Regnault 92075 Paris-La Défense Cedex	1, cours Valmy 92923 Paris-La Défense Cedex
Professional body	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles

Date of first appointment	25 April 2002
End of statutory auditors' mandate	The close of the Meeting of the Board of Directors to approve the financial statements for the financial year 2013.

6.4 INFORMATION POLICY

Mr Gilles Bergin
Head of the Finance and Accounting Department
Tel: +33 (0)1 53 44 41 43

Incorporate by reference

In accordance with Article 28 of European Commission (EC) Regulation 809/2004 of 29 April 2004, the parent company and consolidated financial statements for the year ended 31 December 2011, the related statutory auditors' reports and the Group's management report appear in the Registration Document submitted to the AMF on 26 April 2012 under Number D.12-0439.

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