2014 REGISTRATION DOCUMENT

Agence Française de Développement

2014

REGISTRATION DOCUMENT 2014

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the French Financial Markets Authority (AMF) on 29 April 2015 in accordance with Article 212-13 of its general regulations. It may not be used in support of a financial transaction unless it is accompanied by a Transaction Memorandum duly approved by the AMF. This document was prepared by the issuer, whose authorised signatories assume responsibility for its content.

CONTENTS

METHODOLOGY & GLOSSARY

Figures

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

For borrowings, the year's issues were converted to the closing exchange rate.

Scope

Except for the table on page 8, which presents all of the activities carried out by AFD on its own behalf and on behalf of third parties, all other data included in this document 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

AFB: Association Française des Banques
AFD: Agence Française de Développement
Ariz: Support for the Risk of Financing Private Investment in AFD's Areas of Operation
AT: technical assistance
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
CPC: Permanent Control and Compliance Department
DC: developing country
DFC: Finance and Accounting Department
DOM: French Overseas Department
DXR: Executive Risk Department
Epic: Industrial and Commercial Public Undertaking
ESF: Exogenous Shocks Facility
FBF: Fédération Bancaire Française
FEXTE: Fund for Technical Expertise and Experience Transfers
FFEM: French Global Environment Facility
Fisea: Investment and Support Fund for Businesses in Africa
FOGAP: Guarantee Fund for the Agricultural, Fishing and Timber sectors
FSD: Solidarity Fund for Development
GBS: General budget support
HIPC: Heavily-indebted poor countries
LDC: Least developed countries
MAE/MAEE: French Ministry of Foreign Affairs
MIC: Middle-income countries
MINEFI: French Ministry of the Economy and Finance
NGO: Non-governmental organisation
ODA: Official Development Assistance
OSEO: Development Bank for Small and Medium-sized Enterprises
PRGF: Poverty Reduction and Growth Facility
PSZ: Priority Solidarity Zone
RCS: Resources with special conditions
SSC: Strategic Steering Committee

1 AFD

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 (0)1 53 44 31 31

Legal form
Agence Française de Développement (hereafter "AFD") is an industrial and commercial State public undertaking with the status of a financially-independent legal entity. Pursuant to the French *Monetary and Financial Code* ("CMF"), as amended by Order 2013-544 of 27 June 2013 on credit institutions and financing companies, AFD is a specialised credit institution with an ongoing role that serves the public interest. The most recent material amendment to AFD's bylaws was on 5 June 2009 (Decree No. 2009-618). One of the major changes enacted by this decree 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. AFD's governing body is called the Board of Directors. Its bylaws are defined in Articles R.513-22 to R.513-42 of the CMF (Decree No. 2014-1315 of 3 November 2014).

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

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

Corporate purpose
In accordance with CMF Article R.513-23, AFD's role is to carry out financial operations that contribute to the implementation of the French State's official development aid policy to developing countries abroad and the development of 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 role. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

Trade and companies registration
RCS Paris B 775 665 599

Consultation of legal documents
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 memorandum of association, amending decrees and bylaws;
b) any reports, correspondence and other documents, historical financial information, appraisals and declarations prepared by an expert 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.

Hard copies of the aforementioned documents may be consulted 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 capitalisation 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 may be paid to the French State.

1.6 ACTIVITIES OF AGENCE FRANÇAISE DE DÉVELOPPEMENT GROUP IN 2014

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

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

The Group's global activity in foreign countries and the French Overseas Departments and Collectivities in 2014 may be summarised as follows:

In millions of euros	Amount authorised in 2014	Amount authorised in 2013	2014/2013 change
AFD FOREIGN COUNTRIES			
Ongoing operations	***4,996***	***4,628***	***8%***
Subsidies	207	209	-1%
Sovereign concessional loans	2,897	2,786	4%
Non-sovereign concessional loans	672	515	30%
Non-sovereign non-concessional loans	1,001	947	6%
Of which AFD sub-participations granted to PROPARCO	278	174	60%
Solidarity and Health Initiative for the Sahel	17	6	183%
Fexte	6	0	NS
Funding for NGOs	58	49	19%
Equity investments	11	0	NS
Guarantees	126	116	9%
Mandate-specific operations	***469***	***633***	***-26%***
TOTAL AFD FOREIGN COUNTRIES	**5,465**	**5,261**	**4%**
AFD FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES			
Ongoing operations	***1,024***	***1,133***	***-10%***
Loans	1,004	959	5%
Guarantees granted to the private sector	19	174	-89%
Mandate-specific operations and representation	***517***	***348***	***49%***
Assigned funds delegated by MAE (Pacific Fund)	0	2	-78%
OSEO/BPI funding	480	317	51%
Managed funds	36	29	25%
TOTAL AFD FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES	**1,541**	**1,481**	**4%**
PROPARCO FOREIGN COUNTRIES			
Loans	926	857	8%
Of which AFD sub-participation loans to PROPARCO	278	174	60%
Equity stakes	114	65	74%
Fisea	39	8	397%
Guarantees	20	0	NS
TOTAL PROPARCO FOREIGN COUNTRIES	**1,098**	**930**	**18%**
PROPARCO FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES			
Loans	0	25	-100%
Other securities	7	0	NS
TOTAL PROPARCO FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES	**7**	**25**	**-72%**
AFD - SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS			
Loans delegated by other backers - Foreign countries	245	230	7%
TOTAL AFD - SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS	**245**	**230**	**7%**
Loans	0	75	
TOTAL PROPARCO - SPECIFIC ACTIVITIES USING RESOURCES FROM OTHER BACKERS	**0**	**75**	**-100%**
Of which AFD sub-participations granted to PROPARCO for one-time deduction	*-278*	*-174*	*60%*
TOTAL GROUP APPROVALS	**8,078**	**7,828**	**3%**

1.6.1 Consolidation scope

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

AFD Group - Consolidation scope at 31 December 2014

	Country	Method 1	Group percentage of ownership		Group percentage of voting rights	
			AFD	PROPARCO	AFD	PROPARCO
France						
Mainland France						
PROPARCO	France	FC	63.93	57.43	63.93	57.43
Sogefom	France	FC	60	60	60	60
Fisea	France	FC	100	100	100	100
Simar	France	EQ	22.27	22.27	22.27	22.27
French Overseas						
Soderag	France - Martinique	FC	100	100	100	100
SIC	France - New Caledonia	EQ	50	50	50	50
Socredo	France - Polynesia	EQ	35	35	35	35
Asia						
Propasia	Hong Kong	FC	63.93	57.43	100	57.43

1. FC: Full consolidation - EQ: Equity method.

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

1.6.2 Summary table 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 €153M and €812M of outstandings, with €296M still to be disbursed at 31 December 2014).

Situation at 31 December 2014 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						
ALGERIA			118,918			
ARGENTINA		5,127		18,263		4,190
ARMENIA	2,205		2,471	12,355	8,868	
AZERBAIJAN				10 590		13 024
BANGLADESH		12,987	4,280	24,710	215,312	16,473
BENIN		2,800	9,821	7,000	31,000	
BOLIVIA						16,473
BRAZIL	143,203		863,438	209,451	592,677	125,892
BURKINA FASO	5,800		92,508		166,100	
CAMBODIA	35,026		53,845	29,992	116,723	
CAMEROON	68,126		288,640	24,266	654,813	
CAPE VERDE	5,599		16,216		51,854	
CENTRAL AFRICAN REPUBLIC			1,317			
CHAD		12,500	2,138	12,500		
CHILE		3,315		18,813		
CHINA	35,990		703,619	21,937	353,076	24,710
COLOMBIA	393,785		1,057,583		169,290	4,132
COMOROS			35	1,091		
CONGO	3,065		27,550		132,000	
COOK ISLANDS			1,297			
COSTA RICA		14,796		29,427		43,654
COTE D'IVOIRE		61,498	431,643	86,589	2,163	69,746
DJIBOUTI			29,595	9,690	32,946	
DOMINICA	8,180		28,136		2,668	
DOMINICAN REPUBLIC	13,598		251,242	57,052	231,423	24,710
DR CONGO			71,033	8,237		
EGYPT	35,353		142,070	17,293	812,273	16,473
ECUADOR		7,322		32,357		14,826
ETHIOPIA	35,228		76,603		230,572	
FRANCE			25,000	3,200		
GABON	52,733		164,442		419,867	
GEORGIA				16,473		
GHANA	51,541	48,724	276,520	116,188	281,578	50,537
GRENADA			1,668			
GUATEMALA				6,105		
GUINEA			81,681			

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
HAITI			1,555			
HONDURAS		11,097		30,951		72,192
INDIA	110,938		296,036	229,143	783,085	
INDONESIA	122,320		842,740	40,473	493,735	
IRAQ		2,471		55,677		9,060
JAMAICA				64,015		
JORDAN	9,597		237,231	111,495	195,348	40,598
KENYA	113,938	70,937	601,188	190,929	761,896	73,564
LAOS			16,371	45,080		
LEBANON	10,199	7,322	357,222	42,332	183,345	8,237
LIBERIA		5,308		5,766		
MADAGASCAR			6,197	693	40,000	
MALAWI						
MALDIVES	3,739		10,401		5,286	
MALI	26,001		59,224		127,213	
MAURITIUS	59,311		312,884	41,159	88,623	
MAURITANIA	272		170,729	250	121,028	
MEXICO	157,629	7,107	938,251	30,444	100,000	18,046
MONGOLIA		575		17,395		
MOROCCO	334,157	30,000	1,878,345	123,738	538,521	
MOZAMBIQUE	56,204		142,359	10,335	133,820	
MULTIPLE COUNTRIES	3,699	176,709	497,240	501,970	228,533	170,129
NAMIBIA			22,337	3,566		
NICARAGUA		7,855		43,355		8,237
NIGER			39,781	905	82,400	25,000
NIGERIA	57,479	48,291	111,006	144,574	446,586	78,575
PAKISTAN	10,310		77,631	30,829	186,980	16,473
PALES. AUTON. AREAS	1,000		1,000		1,500	
PANAMA		46,071		85,146		13,692
PARAGUAY				27,414		8,237
PERU		29,189		61,661	240,500	55,091
PHILIPPINES	110,270		260,270		47,360	
RWANDA			13,384			
SAINT LUCIA			5,951	3,241		
SENEGAL	167,678		541,622	35,738	230,980	
SEYCHELLES	381		2,298		7,702	
SOMALIA			82,593			
SOUTH AFRICA	109,316	1,600	794,950	93,756	318,201	2,944
SRI LANKA	89	3,399	88,092	27,811	227,559	98,839
ST VINCENT & THE GRENADINES			3,106			
SURINAME	1,774		36,896		16,713	
TAJIKISTAN		2,677		2,677		2,677
TANZANIA	14,681		50,227	18,190	225,781	5,766
THAILAND					20,000	
THE GAMBIA			809			
TOGO		13,373		34,488		6,761

The table continues on page 12

In thousands of euros	Disbursements		Outstandings		Amounts to be disbursed	
	AFD	PROPARCO	AFD	PROPARCO	AFD	PROPARCO
TUNISIA	55,832		944,993	34,130	315,600	
TURKEY	225,808	40,186	946,970	337,643	211,460	89,109
UGANDA	6,197	12,580	29,231	81,310	169,373	8,237
URUGUAY		21,186		43,573		
VANUATU			2,563			
VIETNAM	106,745		853,701	52,304	458,484	
YEMEN			1,385		36,500	
ZAMBIA	18,729	11,898	18,709	19,540	112,745	33,177
ZIMBABWE		14,574		23,843		
TOTAL	**2,783,723**	**733,475**	**16,119,235**	**3,522,673**	**11,662,059**	**1,269,479**
AGGREGATE TOTAL	**3,517,197**		**19,641,908**		**12,931,538**	

1.6.3 AFD's activities

1.6.3.1 *General comments*

AFD is an industrial and commercial public undertaking (Epic) and a specialised credit institution (Order No. 2013-544 of 27 June 2013 on credit institutions and financing companies) whose bylaws are defined in Articles R.513-22 *et seq.* of the French *Monetary and Financial Code* (CMF). It is a specialised credit institution with an ongoing role that serves the public interest, as defined by Article L.511-104 of the CMF, and conducts banking operations related to this role.
AFD is managed by a Chief Executive Officer who is appointed by decree for a three-year term (Article R. 513-33 of the CMF) and a Board of Directors (Articles R.513-34 to 36 of the CMF).

It 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. 513-23 of the CMF). This technical assistance may be provided either as part of its projects and programmes or to certain organisations, 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 financing companies, other French or international credit institutions, the European Union, governments or international organisations and institutions (Article R.513-30 of the CMF). It can also manage activities funded by the European Union, international institutions and organisations and foreign governments, as well as by local authorities, credit institutions and other development banks or public or private institutions (Article 10 of Act 2014-773 of 7 July 2014 *Guidance and planning related to development and international solidarity policy*).
As such, until 2013 AFD represented Crédit Foncier de France (CFF) and Oseo, which was the State's main organisation for providing support to small- and medium-sized businesses until the creation of Bpifrance, which took over its activities. Since 1 January 2014, AFD has represented Bpifrance Financement in the French Overseas Departments and Collectivities. Since 2001, AFD has also represented Caisse des Dépôts et Consignations for some of its activities in the French Pacific Collectivities and in Saint Pierre and Miquelon.

AFD also manages operations financed by the French State's budget on its behalf and at its risk (Article R. 513-29 of the CMF).
One of the most recent material amendments to the AFD bylaws was on 5 June 2009 (Decree 2009-618). It involved the creation of a Strategic Steering Committee (SSC), a State entity headed by the Minister for Development. This committee is responsible for strengthening the alignment between policy on official development assistance (ODA) set out by Cicid and the way in which these policies are executed by AFD.
In terms of AFD's responsibilities, 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.

For example, in terms of financial instruments and operating methods, AFD:
- ✓ helps to spur development in partner-countries as well as international cooperation on environmental issues and on climate change by granting long-term loans and subsidies;
- ✓ guarantees business loans and underwrites corporate bonds and certain government bonds;
- ✓ acquires equity stakes in companies or organisations linked to its mission;
- ✓ distributes Bpifrance Financement products in French Overseas Departments, under the terms of a service provision agreement;
- ✓ is responsible for implementing aid to States that the French government has decided to assist through General budget support (GBS);
- ✓ manages the French bilateral component of the Heavily-indebted poor countries (HIPC) initiative agreed upon at the G7 summit in Lyon in 1996;
- ✓ manages the Solidarity Fund for Development (FSD) on the State's behalf. This fund is financed by a tax on plane tickets and (since 2013) a tax on financial transactions. FSD inflows are used to repay the first issue of International Finance Facility for Immunisation (IFFIm) bonds and to finance the Global Fund to Fight AIDS, tuberculosis and malaria. They are also used for the international medicine purchasing facility (UNITAID), the Solidarity and Health

Initiative for the Sahel (I3S) and the Rural Water Supply and Sanitation Initiative (RWSSI);
- ✓ 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.

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 the French Overseas Departments and Collectivities in which it is active.

AFD's operating scope (see Appendix 1)

According to Article R.513-26 of the CMF, AFD's financial aid is allocated to countries in the Priority Solidarity Zone (PSZ) determined by Cicid until July 2013 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 responsible for the Economy and Finance and, in the first two cases below, the Ministry responsible for the French Overseas Departments and Collectivities:
- ✓ in countries that are members of regional cooperation agreements for the French Overseas Departments and Collectivities;
- ✓ in the 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 43 are in the Africa and Indian Ocean region, four in the Caribbean and Central America[2], one in Oceania, four in the Near and Middle East and three in Asia.

On 19 June 2006, 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 Cicid on 5 June 2009, AFD was authorised to examine the possibility of operating in Latin American and Asian countries (Mexico, Colombia, Bangladesh, Malaysia, the Philippines, Sri Lanka, Kazakhstan, Uzbekistan and Mongolia) as part of a specific mandate aimed at promoting green, solidarity-based growth.

A joint letter from the Ministry of Foreign Affairs and the Ministry of the Economy and Finance dated 2 April 2012 confirmed that it could operate in different countries (Armenia, Azerbaijan, Bangladesh, Colombia, Georgia, Mexico, Kazakhstan, Uzbekistan, the Philippines and Sri Lanka) under these specific mandates. According to this 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 contracting authorities in defining and implementing public policies.
- ✓ 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, it was decided that AFD would carry out operations for a four-year period under the "post-crisis countries"mandate by mobilising subsidies. A letter of 25 September 2014 specified that AFD was no longer restricted to operating under this agreement and is now also authorised to undertake loan activities under a green, solidarity-based growth mandate.

Letters dated 25 September 2014 and 5 December 2014, signed by the French Minister of Foreign Affairs and International Development, the Minister of Finance and Public Accounts and the Minister of State for Development and Francophonia, authorised AFD to operate in Ecuador and Bolivia in order to quickly begin funding activity as part of a specific mandate aimed at promoting green, solidarity-based growth while encouraging economic partnerships.

At its meeting of 31 July 2013, Cicid decided to re-define the geographical priorities of development assistance. Henceforth, aid will be allocated on the basis of differentiated partnerships according to revenue and geographic, cultural and linguistic ties with France. A list of priority poor countries was drawn up on which will be focused half of the public subsidies and two-thirds of the grants that AFD implements.

Contractual targets and resources for 2014-2016.

The French Government and AFD signed a targets and resources contract (COM) to define objectives and schedule resources for AFD activities covering the period from 1 January 2014 to 31 December 2016.

This COM covers all of AFD Group's activities, and sets the guidelines for them, in foreign countries and the French Overseas Departments and Collectivities, while considering goals and characteristics unique to each type of intervention. It also covers the coordination of knowledge production, communication, support and advisory activities for the State and the policy for AFD partners. These guidelines are monitored using 31 indicators, which AFD reports to the State on an annual basis.

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

1.6.3.2 *Activities on its own behalf and their financing*

The following types of financing are available:

In foreign countries

✓**Ongoing operations**

- **Subsidies**

Priority operations in priority poor countries. Grants 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.

- **Guarantees**

Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, issue subscriptions or cash facilities and, on the other hand, guarantee commitments through 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 investments**

AFD holds equity investments in foreign countries.

✓**Mandate-specific operations**

General budget support (GBS) or specific budget support granted in the form of subsidies, primarily in the least developed countries (LDCs), or loans, 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 related to the following areas:

✓ **Loans**

- Financing public-sector investment in a spirit of partnership and especially support given to local authorities for 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 the French Overseas Departments and Collectivities by contributing to their refinancing.

✓ **Guarantees**

- AFD conducts significant activity guaranteeing medium- and long-term bank loans that support innovation, creation and growth in French Pacific Collectivities through Sogefom, of which it is the majority shareholder, and in Mayotte and Saint Pierre and Miquelon through two guarantee funds in its own name.
- AFD also manages on behalf of third parties: the guarantee funds for housing in French Overseas Departments (on behalf of Oseo and now Bpifrance Financement) as well as agriculture and fishing guarantee funds (on behalf of the French State) created in 2010.

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

- AFD is running off Crédit Foncier de France's operations in French Overseas Departments and represents Caisse des Dépôts et Consignations for certain activities in the French Pacific Collectivities and Saint Pierre and Miquelon (in the investment business). Since 1 January 2014, AFD has represented Bpifrance Financement in all its activities in the French Overseas Departments, New Caledonia and French Polynesia.
- AFD also promotes housing development in the French Overseas Departments and Collectivities through stakes in seven real estate companies held on its own behalf or on behalf of the State.
- Lastly, it helps the economies of French Overseas Departments and Collectivities develop within their respective regions.

1.6.3.2.1 Activities in foreign countries

✓ Total volume of approvals, disbursements and outstandings

In 2014, AFD's approvals in foreign countries, through loans, subsidies, equity stakes and guarantees granted, reached a total of €5.01bn[3], including €4.57bn in loans, €307M in subsidies (project subsidies, NGO financing and general budget support) and €126M in the form of Ariz guarantees and €11M in the form of equity stakes.
At €5.01bn, total approvals in foreign countries in 2014 increased by €358M, *i.e.* 8% compared to 2013. This change resulted from the €322M increase in loan activity.

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

In millions of euros	2014	2013	2014/2013 DIFFERENCE	
			€M	%
LOANS[1]				
Approvals	4,570	4,248	322	8%
Disbursements	2,962	2,541	420	17%
Undisbursed balance at 31 Dec	11,958	10,745	1,213	11%
Outstandings at 31 Dec	17,109	14,556	2,553	18%
SUBSIDIES				
Approvals	307	293	14	5%
Disbursements	290	290	0	0%
Undisbursed balance at 31 Dec	968	959	9	1%
Outstandings at 31 Dec	18	18	0	-1%
GUARANTEES				
Approvals	126	116	10	9%
Outstandings	313	294	19	6%
EQUITY STAKES				
Approvals	11	0	11	
Disbursements	14	7	7	101%

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

After a temporary decline in 2013, disbursements have returned to their 2012 level. In 2014, they increased by 15% compared to 2013, *i.e.* €428M. This year they totalled €3.27bn versus €2.84bn in 2013. This change resulted from the €420M increase in loan disbursements.

Loan outstandings rose on the previous year (up €2.55bn, *i.e.* 18%). This growth is mainly linked to the €1.81bn increase over the year in sovereign loan outstandings and the €662M increase in non-sovereign, non-concessional loan outstandings.

3. The data in the management report are recalculated to account for third party accounts under specific mandates, in line with the financial statements. In addition, approvals in the comprehensive table on page 16 in the amount of €5.47bn in foreign countries fell by €451M, representing mandate-specific operations, excluding GBS (€18M in 2014).

✓ Breakdown of approvals and disbursements by type of financial assistance

The approvals and disbursements over the financial year, classed by type of assistance, are as follows:

In millions of euros	Approvals			Disbursements		
	2014	2013	% OF TOTAL IN 2014	2014	2013	% OF TOTAL IN 2014
1- ONGOING OPERATIONS	**4,996**	**4,628**	**100%**	**3,240**	**2,794**	**99%**
LOANS	**4,570**	**4,248**	**91%**	**2,962**	**2,541**	**91%**
Sovereign concessional loans	2,897	2,786	58%	1,968	1,018	60%
Of which loans with direct concessionality	*1,692*	*1,338*	*34%*	*1,155*	*986*	*35%*
Of which loans with indirect concessionality	*1,205*	*1,449*	*24%*	*813*	*32*	*25%*
Non-sovereign loans	1,673	1,462	33%	994	1,523	30%
Of which concessional loans	*672*	*515*	*13%*	*392*	*497*	*12%*
Of which non-concessional loans	*1,001*	*947*	*20%*	*603*	*1,027*	*18%*
Of which sub-participations granted to PROPARCO	*278*	*174*	*6%*	*155*	*145*	*5%*
ONGOING SUBSIDIES	**289**	**264**	**6%**	**264**	**246**	**8%**
Project subsidies	231	215	5%	216	203	7%
Funding for NGOs	58	49	1%	49	42	1%
GUARANTEES	**126**	**116**	**3%**	**0**	**0**	**0%**
EQUITY STAKES	**11**	**0**	**0%**	**14**	**7**	**0%**
2- MANDATE-SPECIFIC OPERATIONS	**18**	**29**	**0%**	**26**	**44**	**1%**
General budget support (GBS) subsidies	18	29	0%	24	43	1%
Mesofinance actions	0	0	0%	1	1	0%
TOTAL FOR FOREIGN COUNTRIES	**5,014**	**4,657**	**100%**	**3,266**	**2,838**	**100%**

Disbursements

2014 was a year marked by significant growth in loan disbursements in the Asia Pacific region, up €260M due to Indonesia and the Philippines and the continuation of large loan disbursements for Latin America and the Caribbean (nearly €400M for Colombia, €160M for Mexico and €140M for Brazil).
As a reminder, 2013 was marked by large disbursements to high-profile non-sovereign urban development projects in South Africa (up €180M), energy programmes in Mexico (up €101M) and Colombia (up €222M) and an urban water and sanitation management project in Morocco (up €146M).

Approvals for ongoing operations

Ongoing loan and subsidy operations (excluding guarantees and equity investments) rose between 2013 and 2014, increasing from €4.51bn in 2013 to €4.86bn in 2014. In 2014, as in 2013, these operations accounted for 97% of all approvals in foreign countries.

The change in ongoing operations in 2014 is characterised by:
- an 8% increase in approvals in the form of loans (€4.57bn in 2014 versus €4.25bn in 2013) with a 14% increase in non-sovereign loans (up €211M) and a 4% increase in sovereign loans (up €111M). As in 2013, these approvals accounted for 91% of AFD's total commitments in foreign countries;
- a 9% increase in approvals in the form of subsidies, including funding for NGOs. Ongoing funding activity increased from €264bn in 2013 to €289M in 2014. In 2014, as in 2013, these accounted for 6% of AFD's approvals in foreign countries;
- a 9% increase in the total volume of guarantee approvals (€126M in 2014 versus €116M in 2013). Ongoing guarantee operations accounted for 3% of AFD's approvals in foreign countries. At the end of 2014, outstanding guarantees granted to foreign countries totalled €313M;
- an increase due to an €11M investment in the African Guarantee Fund to help banks meet the investment needs of African SMEs.

Approvals for mandate-specific operations

General budget support

This aid is 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 Minefi, MAE and AFD.

In 2014, budget support approvals consisted of subsidies amounting to €18M versus €29M in 2013.

✓ Geographic breakdown of AFD approvals

2013 and 2014 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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
BENIN			42.4	5	3.8		46.1	5
BURKINA FASO			37	95.7	5.7	1.4	42.7	97
BURUNDI		0.3	0.3	3.5			0.3	6.5
CAMEROON			110	180.3	17.8	21.3	127.8	201.6
CAPE VERDE			26				26	0
CENTRAL AFRICAN REPUBLIC	4		9	0.4			13	0.4
CHAD			17.5	8.3	3.1	6.8	20.6	15.1
COMOROS		1	3	0.5			3	1.5
CONGO			134.3	1			134.3	1
COTE D'IVOIRE	0.4		0.5	35.5	18.6	18.1	19.5	53.6
DJIBOUTI			34.4	6.3	2		36.4	6.3
DR CONGO			6	6.7	0.5	2	6.5	8.7
ETHIOPIA			120	51.5			120	51.5
GABON			204	165	12.3	5.8	216.3	170.8
GHANA			0.3	21.2		2.7	0.3	23.9
GUINEA			4	12.4	7.5	3.9	11.5	16.3
KENYA			209.6	175.5		4	209.6	179.5
MADAGASCAR			47.9	12.3	7.9	12.1	55.8	24.3
MALI	4	15	92.9	18.1	4.3	3.5	101.2	36.6
MAURITANIA			80.8	0.5	1.5		82.2	0.5
MAURITIUS			27.5	60		0.9	27.5	60.9
MOZAMBIQUE			20.5	84.2	2	1.6	22.5	85.9
NAMIBIA						2	0	2
NIGER	10	10	62.9	56	0.7	0.8	73.5	66.7
NIGERIA			245.1	172	13.9		259	172
SAO-TOME			0.5				0.5	0
SENEGAL			103.8	191.7	5.9	16	109.7	207.6
SOUTH AFRICA			120	100.3			120	100.3
TANZANIA			54	103		0.2	54	103.1
TOGO			1.5	9.3	1.3	6	2.8	15.3
UGANDA			87.9	23			87.9	23
ZAMBIA				50	0.3	0.9	0.3	50.9
MULTIPLE COUNTRIES			121.7	106.5			121.7	106.5
TOTAL SUB-SAHARAN AFRICA	**18.4**	**29**	**2,025.3**	**1,755.8**	**109**	**109.8**	**2,152.7**	**1,894.6**

Suite du tableau en page 18

In millions of euros	General budget support		Loans, subsidies and equity stakes - ongoing operations		Guarantees granted		General	
COUNTRY	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
ALGERIA				3			0	3
EGYPT			260.3	80			260.3	80
JORDAN			76.1				76.1	0
LEBANON			3.5	52.2			3.5	52.2
MOROCCO			158.4	233.3			158.4	233.3
PALES. AUTON. AREAS			13.4	14.4	8.3	1.2	21.7	15.6
SYRIAN REP.			3	7			3	7
TUNISIA			188.8	3.4	2.1		190.9	3.4
TURKEY			90.5	310			90.5	310
MULTIPLE COUNTRIES			4.1	11.9			4.1	11.9
TOTAL MEDITERRANEAN/MIDDLE EAST	**0**	**0**	**798**	**715.3**	**10.4**	**1.2**	**808.4**	**716.4**
BRAZIL			258.1	350			258.1	350
CHILE				7.3			0	7.3
COLOMBIA				399.1			0	399.1
COSTA RICA			20.8				20.8	0
DOMINICAN REPUBLIC			207.4	7.5			207.4	7.5
GUATEMALA			0.3	0.2			0.3	0.2
HAITI			7.4	3.6	0.3	0.7	7.7	4.2
HONDURAS			18.3				18.3	0
MEXICO			100	137			100	137
PERU			240.5				240.5	0
SAINT LUCIA				0.1			0	0.1
SURINAME			12.5	0.4			12.5	0.4
URUGUAY				15.7			0	15.7
MULTIPLE COUNTRIES			105.5	0.1			105.5	0.1
TOTAL LATIN AMERICA AND CARIBBEAN	**0**	**0**	**970.9**	**905.2**	**0.3**	**0.7**	**971.1**	**905.9**
AFGHANISTAN			6.9	10			6.9	10
ARMENIA				10.5			0	10.5
BANGLADESH			100.5	73.2		0.3	100.5	73.5
BURMA			3	4			3	4
CHINA			80.2	115			80.2	115
CAMBODIA			76.5	12.8	5.8	3.7	82.4	16.4
GEORGIA			0.2				0.2	0
INDONESIA			172.6	211.6			172.6	211.6
LAOS			1.7	4	0.2		1.9	4
PAKISTAN			41.5	11.9			41.5	11.9
PHILIPPINES			46.9	109.8			46.9	109.8
SRI LANKA			167.9	75.1			167.9	75.1
VIETNAM			91,0	145,4			91,0	145,4
MULTIPLE COUNTRIES			5.7	0.5			5.7	0.5
TOTAL ASIA PACIFIC	**0**	**0**	**1,045.4**	**1,113.8**	**6**	**4.1**	**1,051.4**	**1,117.9**
INTER STATES	0	0	30.6	21.9	0.2	0	30.8	21.9
GRAND TOTAL	**18.4**	**29**	**4,870.2**	**4,512**	**125.8**	**115.7**	**5,014.4**	**4,656.8**

In 2014, **Sub-Saharan Africa** remained AFD's priority region, as approvals for this zone represented 43% of AFD's total approvals, versus 41% in 2013. The region accounts for 100% of budget support, 42% of loans and subsidies and 87% of guarantees given by the Agency. Total aid for Sub-Saharan Africa reached a volume of €2.15bn in 2014, up by €258M compared to 2013.

Subsidies remain focused on the priority poor countries[4]: 86% of total subsidies granted (including NGOs, budget support and the Solidarity and Health Initiative for the Sahel) in 2014 were in these countries, versus 80% in 2013.
As in 2013, in 2014 free-trade zone countries benefited from 18% of all ongoing loan and approved subsidy operations (including NGOs and the Solidarity and Health Initiative for the Sahel).

Operations in the **Mediterranean and Middle East** region, for their part, increased from €716M in 2013 to €808M in 2014, an increase of 13%. This change resulted from the significant increase in activity in Egypt (€260M in 2014 compared to €80M in 2013), in Tunisia (€191M in 2014 compared to €3M in 2013) and in Jordan (€76M in 2014). In contrast, approvals decreased for Turkey, falling from €310M in 2013 to €91M in 2014. As in 2013, this region's share of the Agency's loans accounted for approximately 16% of total approvals in 2014.

Following a steep increase of activity in the countries of the **Asia Pacific** region in 2013 (up 29% versus 2012 and 2013), approvals for this zone decreased in 2014 from €1.12bn in 2013 to €1.05bn in 2014, down by 6%. The Asia-Pacific region represented 21% of the Agency's commitments in 2014 versus 24% in 2013.

Approvals in **Latin America and the Caribbean** increased by 7%. Loans totalled €971M in this region in 2014 versus €906M in 2013. This change is primarily related to an expansion of AFD's scope of activity in this region, with initial funding approved for Peru in 2014 (up €240M). We also note a significant increase of activity in the Dominican Republic (€207M versus €8M in 2013) and, in contrast, the absence of activity in Colombia in 2014 (-€399M). As in 2013, this zone accounts for 19% of financing in 2014.

Aid in the form of loans and subsidies in 2014 grew by 19% compared to 2013 for the least developed (LDC) and low-income countries, with €1.27bn in 2014 versus €1.07bn in 2013. For middle-income countries (lower-middle and upper-middle), the trend is stabilising, with €3.4bn in 2014 versus €3.37bn in 2013.

4. List of 14 countries identified by Cicid in June 2009 and expanded during the inter-ministerial meeting of January 2012 to include Burundi, Djibouti and Rwanda, *i.e.* 17 countries for 2012 and 2013. In 2014, Rwanda was removed from the list of Priority Poor Countries.

1.6.3.2.2 *Activities in the French Overseas Departments and Collectivities*

Lending activity in the French Overseas Departments and Collectivities amounted to €1bn in 2014, rising by €46M compared to 2013. Disbursements increased on the previous year (up €59M, *i.e.* 10%).

However, AFD's outstandings in the French Overseas Departments and Collectivities increased compared to the end of 2013 (€3.94bn in 2014, *i.e.* up 7%).

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

In millions of euros	2014	2013	2014/2013 DIFFERENCE	
			€M	%
APPROVALS	**1,004**	**959**	**46**	**5%**
- French Overseas Depts and Collectivity of Saint Pierre and Miquelon	793	620	173	28%
- French Pacific Collectivities	211	339	-128	-38%
DISBURSEMENTS	**665**	**606**	**59**	**10%**
- French Overseas Depts and Collectivity of Saint Pierre and Miquelon	474	350	124	35%
- French Pacific Collectivities	191	256	-65	-25%
UNDISBURSED BALANCE AT 31 DECEMBER	**1,164**	**884**	**279**	**32%**
- French Overseas Depts and Collectivity of Saint Pierre and Miquelon	939	652	287	44%
- French Pacific Collectivities	224	232	-8	-3%
OUTSTANDINGS AT 31 DECEMBER	**3,941**	**3,672**	**269**	**7%**
- French Overseas Depts and Collectivity of Saint Pierre and Miquelon	2,474	2,216	258	12%
- French Pacific Collectivities	1,467	1,456	11	1%

Follow-up on approvals

The volume of AFD approvals in the French Overseas Departments and Collectivities, excluding guarantees, totalled €1bn in 2014 versus €959M in 2013. Activities in French Pacific Collectivities decreased by 38% relative to 2013 while activities in French Overseas Departments and Saint Pierre and Miquelon increased by 28%. Most of the aid (79%, *i.e.* €793M) was granted in French Overseas Departments and the collectivity of Saint Pierre and Miquelon.

Financing of public-sector investment rose by 43% in 2014. This growth is particularly related to the increase in loans to local authorities (up 18%), the sharp increase in non-concessional loans (€419M in 2014 versus €220M in 2013, *i.e.* an increase of 90%) and to the approval of several projects involving large amounts, which are atypical with regard to normal activity Concessional products represented 50% of loan activity, totalling €500M in 2014 versus €423M in 2013.

Financing of private-sector investment fell by 73% in 2014. Direct loans granted to companies are down, falling from €193M in 2013 to €41M in 2014. The drop in the average loan amount is mainly responsible for this decrease. Banking sector financing also declined, from €123M in 2014 to €45M in 2014. This decline in the banking sector was mainly due to the fact that approvals in 2013 included the renewal of a €60M short-term line of credit.

As part of its management and representation responsibilities in French Overseas Collectivities, AFD is managing a portfolio on behalf of Crédit Foncier de France. It totalled €36M at the end of 2014, compared to €29M in 2013. As Bpifrance's representative, AFD granted €480M in 2014, compared to €317M in 2013, *i.e* an increase of 51%. Half of this increase is explained by a change in scope. Indeed, the French Overseas Department Fund was replaced by Bpifrance national guarantee funds on 1 January 2014.

Breakdown by region

In millions of euros	APPROVALS 2014	APPROVALS 2013	2014/2013 DIFFERENCE €M	2014/2013 DIFFERENCE %
French Overseas Depts and Collectivity of Saint Pierre and Miquelon	**793**	**620**	**173**	**28%**
Guadeloupe	198	70	128	182%
French Guiana	47	65	-18	-28%
Martinique	137	192	-56	-29%
Réunion	382	250	132	53%
Mayotte	22	42	-20	-47%
Saint Pierre and Miquelon	0	1	-1	-100%
Multiple countries French Overseas Departments	8		8	
French Pacific Collectivities	**211**	**339**	**-128**	**-38%**
New Caledonia	132	202	-71	-35%
French Polynesia	76	137	-60	-44%
Wallis & Futuna	3		3	
TOTAL	**1,004**	**959**	**46**	**5%**

Loans, grants and guarantees granted on its own behalf, by product

In millions of euros	APPROVALS 2014	APPROVALS 2013	2014/2013 DIFFERENCE €M	2014/2013 DIFFERENCE %
Ongoing operations	**1,005**	**1,110**	**-106**	**-10%**
Loans	**1,004**	**959**	**46**	**5%**
Public sector	*919*	*642*	*276*	*43%*
Loans to local authorities	*500*	*423*	*78*	*18%*
Non-concessional loans	*419*	*220*	*199*	*90%*
Private sector	*86*	*316*	*-231*	*-73%*
Direct financing	*41*	*193*	*-153*	*-79%*
Banks	*45*	*123*	*-78*	*-63%*
Guarantees [1]	**0**	**152**	**-152**	**-100%**
Guarantees granted to the public sector	*0*	*0*	*0*	
Guarantees granted to the banking sector	*0*	*27*	*-27*	*-100%*
French Overseas Department Fund	*0*	*121*	*-121*	*-100%*
SPM and Mayotte guarantee funds	*0*	*3*	*-3*	*97%*
Equity stakes	**0**	**0**	**0**	

1. The guarantees presented above do not include Sogefom approvals (€15,4M in 2014) and FOGAP approvals (€4M in 2014).

1.6.3.2.3 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 loan 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%. In addition to the liquidity they provide, these resources help subsidise the aid that justifies the use of State budgetary resources: the financial advantage they offer over market borrowing is measured and pumped into subsidised operations.

✓ **Market borrowings**
AFD's bond issues totalled €4.79bn in 2014.
During the year, AFD made five bond issuances in the form of public issues on the euro and US dollar markets:
- €500M maturing in 5 years (May 2019);
- $1bn (equivalent to €721M) maturing in 5 years (March 2019);
- €1.25bn maturing in 12 years (May 2026);
- €1bn as Climate Bonds maturing in 10 years (September 2024);
- €500M maturing in 2.3 years (February 2017).

In addition, AFD carried out three private equity transactions on the euro and US dollar markets:
- €151M at a floating rate maturing in 2 years (February 2016);
- $500M (equivalent to €364M) at a floating rate maturing in 2 years (March 2016);
- €300M maturing in 2 years (June 2016).

1.6.3.3 *Other activities*

1.6.3.3.1 Intellectual output

AFD's intellectual output consists of research, training 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.

2014 saw a slight drop in intellectual output in continuation of the trend observed since 2012:

✓ research and prospective studies were carried out on subjects related to major challenges and current considerations: (i) changes to aid and financing, (ii) environmental constraints and development, (iii) growth – production – social cohesion and (iv) Models for the French Overseas Departments and Collectivities. Created in 2012, the Research and Studies Committee met twice. It facilitates the collective implementation of the Group's work and the pooling of requirements. Approximately 70 studies were funded in 2014;
✓ in addition to supervising localised project assessments, evaluation work centred on 15 evaluative studies, as well as three portfolio reviews that made it possible to learn from financed development projects and leverage AFD's experience;
✓ eleven 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 contributes to the meeting of Finance ministers from the free-trade zone by producing an annual analysis of the position of member states;
✓ 2014 was a year of intense publishing activity, with more than 60 publications. This growth was focused primarily on the collections created in 2012 (notably six "À Savoir" publications, two "Focales" publications and four "Conférences et Séminaires") and particularly on the new "Question de Développement" collection created in 2013 (15 titles published in 2014). This output is the result of research performed by the Studies, Research and Knowledge Department, and by other AFD departments.

Cefeb: AFD's corporate university

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 that contribute to development projects implemented by AFD: Group partners in the countries where AFD operates, French development partners, 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 2014, Cefeb provided extended training for approximately 40 young professionals (Master degree programme in project management through a partnership with the University of Auvergne) and capacity building for nearly 1,500 executives (mainly from Sub-Saharan Africa, North Africa and Southeast Asia) from ministries, public service institutions, financial institutions, businesses and NGOs.

1.6.3.3.2 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.513-29 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 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 and informal settlements in Port-au-Prince;
- ✓ the agreement of 25 September 2014 related to the French investment in the European Trust Fund for the Central African Republic, also called the "Bêkou Trust Fund".

Furthermore, pursuant to Article 10 of Act 2014-773 of 7 July 2014 on Guidance and planning related to development and international solidarity policy, AFD is authorised to carry out activities on behalf of third parties such as the European Union, international institutions and organisations, foreign governments, any public authority, credit institutions and other development banks or public or private institutions. 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. AFD's compensation for this type of activity is decided on a case-by-case basis as set out by the agreement and is only intended to cover AFD's costs.

1.6.4 Activities of the subsidiaries

1.6.4.1 *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 €693M. AFD holds a 64% stake, while the remaining 36% is held by other private shareholders, including 22% by French financial organisations, 12% by international financial organisations, 2% by investors and 1% by funds and ethical foundations.

PROPARCO's purpose is to act as a catalyst for private investment in developing countries to stimulate growth, promote sustainable development and to achieve 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 Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) and covers a geographic area extending from the major emerging countries to the poorest countries, especially in Africa, 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 €778.3M in 2014 (versus €773.1M in 2013) and break down as follows:
- ✓ lending in the amount of €637.7M[5] (€707.6M in 2013);
- ✓ equity investments in the amount of €113.7M (€65.5M in 2013).

Africa remains the priority zone for PROPARCO, accounting for 40% of its net approvals on its own behalf for the year. In 2014 approvals in other regions also grew considerably. Latin America accounted for 31% of approvals in 2014, Asia 16% and the Middle East 8%.

PROPARCO has adopted a 2014-2019 strategic plan that has two main goals: promoting low-carbon growth and supporting growth models that benefit the greatest number of people. Strategic priorities include strengthening the client approach, supporting borrowers with better ESG practices, developing PROPARCO's proprietary activity, reaffirming Africa as a priority region, explicitly aiming for LDCs to represent 15% of credit activity, and supporting French companies. To support this strategy, PROPARCO carried out a capital increase of €304.8M in 2014 by incorporating reserves of up to €105M and by creating new common shares in the amount of €199.8M (including an issue premium with an overall total of €31.8M).

5. PROPARCO loans in foreign countries and French Overseas Departments and Collectivities, excluding projects involving the funds of other backers (€12.5M) and excluding AFD sub-participations approved or under approval at 31 December 2014 (€275.5M in total).

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

In millions of euros

	Loans		Equity		Other investments		Guarantees	
COUNTRY	2014	2013	2014	2013	2014	2013	2014	2013
BENIN								
CÔTE D'IVOIRE		27						
GHANA	39.5	39.9		5				
GUINEA				0.9				
LIBERIA		5.2						
NIGERIA	56.2	25.7						
NIGER	12.5							
MULTIPLE COUNTRIES WEST AFRICA		10.9	15	10.9				
WEST AFRICA	**108.2**	**108.7**	**15**	**16.8**				
CAMEROON								
GABON								
KENYA	29.7	92.2						
UGANDA	14.6	4.5						
DRC			0.5					
RWANDA								
TANZANIA		5.4						
CHAD	12.5							
MULTIPLE COUNTRIES CENTRAL AND EAST AFRICA			5.1					
CENTRAL AND EAST AFRICA	**56.8**	**102.1**	**5.6**					
SOUTH AFRICA								
NAMIBIA								
ZAMBIA	14.7							
ZIMBABWE		14.7						
MOZAMBIQUE			1.9					
MULTIPLE COUNTRIES SOUTHERN AFRICA	14.6							
SOUTHERN AFRICA	**29.3**	**14.7**	**1.9**					
MULTIPLE COUNTRIES SUB-SAHARAN AFRICA	**26.5**	**30**		**11.8**				
MADAGASCAR								
MAURITIUS			7.9					
INDIAN OCEAN			**7.9**					
EGYPT								
GEORGIA								
LEBANON		14.6						
MOROCCO		20						
TUNISIA			1					
TURKEY	35	38.5						
MULTIPLE COUNTRIES NORTH AFRICA			55.7					
IRAQ	5.9							
JORDAN	19.2							
NORTH AFRICA AND MEDITERRANEAN	**60.1**	**73.1**	**56.7**					
ARMENIA		11.1						
AZERBAIJAN	11.5	11.5						
BANGLADESH	14.5							
CAMBODIA		7.5		3.8				
CHINA	8						20	
INDIA				8.5				
INDONESIA								

This table continues on page 25

In millions of euros	Loans		Equity		Other investments		Guarantees	
COUNTRY	2014	2013	2014	2013	2014	2013	2014	2013
MONGOLIA		11.4						
PAKISTAN	16.1							
SRI LANKA	47.4							
MULTIPLE COUNTRIES ASIA		11.1		9.6				
TAJIKISTAN	4.9							
ASIA	**102.4**	**52.7**		**21.9**			**20**	
ARGENTINA								
BOLIVIA	14.9							
BRAZIL	35.8	45		7.7				
CHILE	11.4							
COLOMBIA		5						
COSTA RICA	20.8	15.6						
ECUADOR	7.3	17.5						
HAITI		3						
HONDURAS	36.6	15.5						
MEXICO	16	10						
NICARAGUA		14.6						
PANAMA	27	37						
PARAGUAY		7.8						
PERU	21.3	44.6						
DOMINICAN REP.	21.9	7.8						
URUGUAY	12.7							
MULTIPLE COUNTRIES LATIN AMERICA	14.9	11.6	11	7.4				
LATIN AMERICA CARIBBEAN	**229.1**	**246.3**	**11**	**15.1**				
RÉUNION					5			
MARTINIQUE		25						
MULTIPLE COUNTRIES FRENCH OVERSEAS DEPTS					2			
FRENCH OVERSEAS COLLECTIVITIES		**25**			**7**			
MULTIPLE COUNTRIES	**25.3**	**55.1**	**15.5**					
TOTAL	**637.7**	**707.6**	**113.7**	**65.5**	**7**		**20**	

Loan approvals (excluding multiple country loans) on its own behalf were distributed among 32 countries, particularly Nigeria, Sri Lanka, Ghana, Honduras, Brazil, Turkey, Kenya and Panama.

Out of this lending activity on its own behalf, loans to banking and financial institutions accounted for 50% of total net approvals for the year. Through its financing, PROPARCO supports the growth of national banking players, the expansion of major regional groups, and the invigoration of financial markets and exchanges, particularly in Sub-Saharan Africa. Net direct loans granted to companies in the industrial, commercial and service sectors (education and health care) accounted for 17% of approvals for 2014. Loans to the infrastructure and mining sectors represented 32% of net approvals for the year.

As for equity investment activity, 62% of approvals were for investment funds and 38% for direct investments, particularly in industrial companies, service sector companies (healthcare) and banks.

1.6.4.2 *Activities of TR Propasia, a PROPARCO subsidiary*

TR Propasia is a wholly-owned PROPARCO structure in charge of investing in Asia through funds (up to 70%) and directly (30%), in countries and in sectors where PROPARCO is active as a co-investor with TR Capital, with both funds managed by the same asset management firm.

The TR Propasia portfolio, whose investment period ended on 15 April 2011, had a total amount of USD 6.3M invested in three funds and one direct investment.

1.6.5 Activities of the other AFD subsidiaries

Fisea

The Investment and Support Fund for Businesses in Africa (Fisea) was created in April 2009. It is managed by PROPARCO within the framework of a regulated agreement. A €55M capital increase took place in 2014, bringing subscribed capital to €160M, with €15M remaining to be paid up. PROPARCO manages Fisea.

Fisea's net approvals amounted to €38.4M in 2014 (excluding TA). They include four investments in funds and four direct investments. Several sectors are targeted: agribusiness, hospitality, energy, microfinance. Subscriptions totalled €14M in 2014.
Total approvals (excluding TA) since the company was established amount to €118M. Investment funds represent 80% of assets (in terms of amounts) and direct investment represents 20%.

Banque Socredo

Banque Socredo is a full-service bank established in French Polynesia in 1959. It has 27 permanent offices. It also organises regular visits to Tahiti's most distant islands, which have little or no access to basic banking services. This special positioning distinguishes Socredo from other local banks. Its activities extend to every sector of the economy and, more particularly, to several key segments such as the marine sector and tourism. It is heavily involved in marine transport that serves distant archipelagos such as the Tuamotu Archipelago, the Marquesas and the Austral Islands, in air transport as a shareholder in carriers Air Tahiti and Air Tahiti Nui, as well as in the first-time home buyer sector.

For many years, Banque Socredo has been the top banking institution in Papeete, ahead of Banque de Polynésie (Société Générale Group) and Banque de Tahiti (Groupe BPCE), with nearly 46% of the lending market and nearly 39% of the deposit market at 31 December 2014.

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 cardholders in the French Pacific), 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 2014, Banque Socredo directly employed a workforce of nearly 505 people. Its total balance sheet stood at €2.1bn, consisting mainly of receivables due from customers (€1.7bn). The bank's NBI amounted to €76.6M and net income to €9.6M, versus € 77.7M and €7.2M in 2013.

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.

Sogefom

The French Overseas Guarantee Fund Management Company (Sogefom) is a company that manages guarantee funds in the French Pacific Collectivities, providing partial guarantees for financing operations undertaken by credit institutions in this zone. In particular, its aim is to support 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.

Based on preliminary data at the end of 2014, Sogefom recorded a decline in new origination (in terms of amount, including Liquidity Support for Growth, Competitiveness and Employment–RTCCE) with geographic disparities.

In New Caledonia, guarantees granted in 2014 by Sogefom declined in value year-on-year (down €7.8M, *i.e.* -19%) and in number (152 fewer grants, *i.e.* -7%). According to IEOM all sectors of activity were down, except for the primary sector. The sluggish economic climate is expected to continue over the coming months.

In French Polynesia, over the same period, grants increased sharply in number (187 grants, *i.e.* +23%) but decreased in value (€7.3M, *i.e.* -24%), mainly because granting authority has been delegated to banks and the RTCCE budget has been depleted. At constant scope (excluding RTCCE) in French Polynesia, grants ultimately grew in number (+51%) and stabilised in value (-3%).

Accordingly, at the end of 2014, Sogefom's total origination had decreased in value by 22% and increased in number by 12% year-on-year, continuing the overall decline that began at the end of 2009 (€19.4M at end-2013 versus €25.9M at end-2009, *i.e.* -25%).

Gross outstandings for traditional guarantees (€58.8M at end-2014) fell by 1% compared to end-2013 (€59.4M).

At 31 December 2014, the total amount of the company's off-balance sheet commitments stood at €64.2M, compared with €64.9M at 31 December 2013.

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 Sidoms) that aim to build and manage social and intermediate rental housing, as well as implementing urban development operations. At end-2014, the Sidoms manage more than 77,000 housing units, representing approximately half of the social housing in the French Overseas Departments and Collectivities;
- ✓ by granting direct loans to public and private operators in housing and development. In 2014, the amount of these loans came to more than €100M, distributed among 15 projects.

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 10,239 housing units as at 31 December 2014 and delivered 409 housing units in 2014;
- ✓ Société Immobilière de la Martinique (Simar), in which AFD holds a 22.27% stake, managed 10,842 housing units as at 31 December 2014 and delivered 317 housing units in 2014.

1.6.6 Information about subsidiaries

1.6.6.1 *Key data about subsidiaries that are fully consolidated 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: €693,079,200
AFD's stake: 63.93%
Other shareholders: French credit institutions (21.69%), private investors (1.86%), international financial institutions (11.79%) as well as ethical foundations and funds (0.72%)
Balance sheet: €4.6599bn
Total net equity: €830.6M
Equity stakes: €498.5M
Loan portfolio: €3,614.5M
Net banking income: €104.7M

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 Collectivities 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: €1,102,208
AFD's stake: 60% (of which 1.32% through Socredo)
Other shareholders: nine credit institutions (40.00%) including Banque de Nouvelle-Calédonie (7.51%), and Banque de Polynésie (7.51%)
Balance sheet: €43.3M
Total net equity: €15.3M
Loan portfolio: NS
Net banking income: €2.6M

Soderag (Société de Développement Régional Antilles-Guyane)
Purpose: To grant loans and acquire equity stakes in order 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: €8.9M
Total net equity: €119M
Loan portfolio: NS
Net banking income: €0.01M

Fisea (Fonds d'Investissement et de Soutien aux Entreprises en Afrique)
Purpose: To promote the growth of African SMEs
Legal form: Simplified joint-stock company *(société par actions simplifiée)*
Head office: 5 rue Roland Barthes, 75012 Paris
Consolidated equity: €160,000,000
AFD's stake: 100% (except for one share)
Other shareholders: PROPARCO holds one share in Fisea
Balance sheet: €121.8M
Total net equity: €121M
Loan portfolio: NS
Equity stakes: €68.6M
Net income: -€4M

TR Propasia (Partenariat Strategique 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: 63.93%
Other shareholders: Propasia is a wholly-owned subsidiary of PROPARCO
Balance sheet: €7.4M
Total net equity: €6.5M
Loan portfolio: NS
Equity stakes: €3.4M
Net income: -€0.1M

1.6.6.2 *Information on offices and activities at 31 December 2014*

Article L.511-45 of the French *Monetary and Financial Code* (as amended by Law 2009-158 of 20 February 2014) requires that credit institutions publish information about the offices and activities included in their consolidation scope in each State or territory.
The required information is given below.

Net banking income (NBI), revenue and employees by country for subsidiaries that are fully consolidated and equity-accounted in AFD's financial statements
The table below presents the NBI, revenue and number of AFD employees of fully consolidated and equity-accounted companies.

	2014							At 31 Dec 2014
	Net banking income in EUR millions[1]	Revenue in EUR millions[1]	Pre-tax profit or loss[1]	Corporation tax amount[2]			Public subsidies received	FTE headcount
				Total	*Of which current*	*Of which deferred*		
European Union member states								
FRANCE	630	117	204	32	26	6	26	2,441
ASIA								
HONG KONG	0	0	0	0	0	0	0	0
TOTAL	**630**	**117**	**204**	**32**	**26**	**6**	**26**	2,441

1. Data from the financial statements of the entities concerned.
2. Data from the consolidated financial statements.

Entities' offices by country
The table below lists all Group companies, whether consolidated fully or using the equity method.

Offices by country	Operations
FRANCE	
AFD - Agence Française de Développement	Financial institution
Fisea - Fonds d'Investissement et de Soutien aux Entreprises en Afrique	Investment fund
PROPARCO - Société de Promotion et de Participation pour la Coopération économique	Financial institution
SIMAR - Société Immobilière de la Martinique	Real estate company
SODERAG - Société de Développement Régional Antilles-Guyane	Guarantee fund
SOGEFOM - Société de Gestion des Fonds de Garantie d'Outre-Mer	Guarantee fund
HONG KONG	
TR PROPASIA LTD	Investment fund
NEW CALEDONIA	
SIC NC - Société Immobilière de Nouvelle-Calédonie	Real estate company
FRENCH POLYNESIA	
Banque Socredo	Bank

1.6.7 Global economy

1.6.7.1 *Global economy*

The global recovery floundered in 2014 due to a series of unforeseen events. After being "paralysed" by the US government shutdown at the end of 2013 following disagreement on the debt ceiling, severe winter weather dragged down the US economy at the beginning of the year. The rest of the year for the US was marked by an increase in growth and an improved labour market. At the end of the year, unemployment returned to nearly pre-crisis levels (under 6%).

In Japan, the first VAT increase in the spring undermined the Japanese economy (0.03% growth in 2014 following 1.60% in 2013). A second increase in the tax, planned for 2015, was postponed until 2017 to avoid weakening the economy further. Japan's international commitments were weakened by this difficulty in increasing the VAT, which had been a major aspect of the policy to improve the country's public finances. Although Abenomics (measures taken by Prime Minister Abe) are being called into question, the Prime Minister was decisively re-elected in early elections held at the end of the year.

In Europe, growth has taken much longer to recover and is highly disparate from country to country. The European Central Bank's decisions and communications were characterised by these gaps. Monetary policy appeared to be moving toward increasingly accommodative action throughout the year. Europe was negatively impacted by the tensions surrounding the Ukrainian crisis and, at the end of the year, by the political debates in Greece regarding the formation of the new parliament. Geopolitical tensions in the Middle East and Africa also weighed on both emerging and developed countries. The major development of the year remains the drop in oil prices, with the price per barrel falling by nearly 50% over the year. This decline was mainly caused by the slowdown in global activity and by the decision made by the Organization of Petroleum Exporting Countries (OPEC) to refrain from reducing production quotas. This improved the terms of trade for most non-exporting countries, particularly in Europe and the United States. In contrast, budgetary and economic conditions deteriorated for some exporters of the black gold, such as Russia, Nigeria, Venezuela and Iran.

Economists expect prices to remain at approximately $75/barrel, which should drive growth for non-exporting countries in 2015.

1.6.7.2 *Interest rate environment*

Over the year, the Fed tapered off its asset purchase programme, putting an end to the liquidity injections in October. Nonetheless, in its communications the Fed remains cautious about the appropriate time to begin raising its interest rates. In a context of continuous decline in inflation since 2011 (under 1% in 2014), the ECB lowered its key interest rate twice over the year, setting it at 0.05% at the end of December (a 0.20% decline over the year). For the first time in its history, the ECB sent its deposit rate into negative territory, to -0.20%. Quantitative Easing[6] was introduced in Europe. At the end of the year, the ECB began intervening on specific bond markets, such as covered bonds (collateralised debt obligations). Eurozone interest rates therefore declined dramatically (1.34% on the 10-year swap, whereas US rates declined by 0.73% on the same maturity) to end up with a nearly flat yield curve at the end of the year–only 1% separated the 1-year and 20-year swap rates. This trend certainly benefited France, which saw is borrowing rates decline considerably, dropping from an approximately 2.5% 10-year rate at the start of the year to 0.80% in December.

1.6.7.3 *Foreign exchange*

Changes to the EUR/USD exchange rate in 2014 were characterised by two trends. First was a period of stagnation, during which the EUR/USD rate fluctuated between 1.35 and 1.40. Beginning in May, it declined consistently, reaching 1.20 at the end of the year, due to the combined effect of the ECB's discussions on expanding its accommodative monetary policy and the slowdown of liquidity injections by the Fed.

The USD appreciated throughout the year against virtually every other currency, especially those of emerging or oil-producing countries.

The most dramatic trend, however, remains the ruble's. It lost half of its value, falling from a value of 50 rubles per euro in September to 85 per euro in mid-December due to the enforcement of economic sanctions against Russia in the eurozone and the United States following the Ukrainian conflict.

6. Quantitative Easing refers to unconventional monetary policy measures that consist of buying assets on the market.

2 CORPORATE SOCIAL RESPONSIBILITY

Since 2005, AFD has been developing and implementing a social responsibility (SR) policy covering both its internal operations and funding activities.
To report on this approach and its results, and to improve communication with its stakeholders on the subject, AFD publishes an annual social responsibility report.
This report falls under the technical frameworks of the Global Reporting Initiative (GRI4), ISO 26000, the Global Compact and the French Act concerning transparency requirements for companies regarding corporate social and environmental responsibility.
It is available through various media: on the AFD website **(www.afd.fr/home/AFD/developpement-durable)** and in the management report, in accordance with the above-mentioned Act.

SR reporting methods within AFD Group

Reporting period

The data gathered cover the period running from 1 January to 31 December of year N. This data is reported on an annual basis.

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 list of CSR information required by regulations.

Indicator scope and reporting

Scopes vary depending on each corporate, social or environmental indicator, according to need, and the suitability and availability of information. The reporting scope is specified for each indicator.

The different scopes taken into account are as follows:

Group: AFD, PROPARCO and French Overseas reserve banks (100% of the Group's employees)
AFD: AFD head office and local offices (90% of the Group's employees)
Head office: AFD and PROPARCO head offices (58% of the Group's employees)
AFD head office: AFD head office only, including Cefeb but excluding PROPARCO (50% of the Group's employees)
AFD Paris head office: AFD head office, excluding Cefeb: The Rue Roland Barthes and Le Mistral buildings (48.5% of the Group's employees).
France: all employees under French law at the head offices and local offices of AFD, PROPARCO and French Overseas reserve banks, excluding local foreign office staff

This scope refers only to the tables showing quantitative social and environmental indicators.

Data consolidation and internal control

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

External audit

In accordance with the regulatory requirements of Article 225 of the Grenelle II Act and its implementing Decree of 24 April 2012, AFD asked one of its statutory auditors to prepare a report for 2014 that would include a certificate of participation on the production of social, environmental and corporate data to be incorporated into the Management Discussion and Analysis and a reasoned opinion on the accuracy of the information disclosed.

Definition of indicators and methodological limitations

INFORMATION	DESCRIPTION	SCOPE
Social indicators		
Employees by age and by gender	Number of employees on the payroll as of 31 December of year N under indefinite-term (CDI) and fixed-term (CDD) employment agreements. Employees under an apprenticeship or under professional training contracts are not included in this metric. The calculation does not take the prorating of part-time work into account.	Group
New hires	Number of employees recruited under indefinite-term and fixed-term employment agreements between 1 January and 31 December of year N. The calculation does not take the prorating of part-time work into account. A succession of fixed-term employment agreements is recognised only once by the new hire indicator. The conversion of fixed-term employment agreements into indefinite-term employment agreements are not recognised as new hires. The conversion of a professional training/apprenticeship contract into a fixed-term or indefinite-term employment agreement is recognised as a new hire.	Group
Dismissals	Number of employees leaving the Group between 1 January and 31 December of year N at the Group's initiative (economic grounds, grave misconduct, other).	Group
Average salary	The average salary for all head office and local office employees is calculated. It is the notional annual gross salary that is taken into account. The headcount used in the denominator is average annual FTE. Service providers are not recognised in the calculation.	Group
Number of days of absence due to illness	Number of calendar days of absence due to illness during year N for employees covered by French law under AFD Group management. Long-term illness is included in the calculation of this metric. Outside staff (MADPEX statute) is not included in the calculation of absenteeism.	France
Absenteeism rate	Number of business days absent due to illness relative to the number of scheduled work days, factoring in paid vacation.	France
Hours of training	Number of deductible hours of training received by employees between 1 January and 31 December of year N. This metric includes: - training for employees under contracts governed by French law; - training/seminars at the head office for local office employees; - training organised in foreign countries. There are also training sessions organised at local offices by management. These are not included in this metric.	France
Percentage of supervisory positions held by women	The positions counted as supervisory positions are: - Directors of local offices; - Executive and departmental directors; - Deputy executive and departmental directors; - Division and departmental managers; - Deputy division managers; - Corporate secretary.	France

The table continues on page 32

INFORMATION	DESCRIPTION	SCOPE
Environmental indicators		
Energy consumption	Consumption of electricity and use of heating and cooling systems between 1 January and 31 December of Year N Energy consumption figures are taken from internal reports produced annually based on invoices.	AFD Paris head office
Total distance travelled	Business travel includes travel by rail and by air. Such travel is managed for the most part by Amex, a service provider, which provides a report generated from its IS system that includes kilometres travelled by head office employees (Le Mistral and Rue Roland Barthes) and PROPARCO personnel as well as the type of transport (air and rail) and the class in which the employee travelled. The Amex report can include data on travel by consultants (excluding employee travel). This type of travel is estimated at less than 5% in the data supplied by Amex. An additional report is generated that provides the details on travel by Cefeb employees and assignments given to consultants.	Head office
CO_2 emissions	Total CO_2 emissions are calculated using version 7 of Ademe's Bilan Carbone® method, Scopes 1, 2 and 3. CO_2 emission factors linked to air travel include non-Kyoto factors.	Head office
Paper consumption/employee	Reported paper consumption includes: - consumption of reams of paper (blank paper); - consumption of paper supplies (blank envelopes and envelopes with/without logos, incidentals, etc.); - consumption of paper linked to publications (Rue Roland Barthes and Le Mistral offices only). Figures on paper consumption come from purchase order summaries obtained from suppliers, invoices and delivery slips. Unit weights are calculated based on item descriptions (paper weight) or by weighing if necessary (primarily for publications).	Head office

These scopes are defined on page 30.

2.1 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 French Overseas reserve banks, excluding local foreign office staff.

French Overseas reserve banks (Iédom and Iéom) perform the function of a central bank under the authority of the Banque de France in the French Overseas Departments and Collectivities (DOM 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).

2.1.1 Employment

2.1.1.1 *Total headcount and employee breakdown by gender, age and region*

Total headcount managed by the Group at 31 December 2014

EMPLOYEES	END-2013	END-2014
Mainland France[1]	1,006	1,041
Foreign and representation offices in the countries of operation	150	151
Technical assistance	4	3
Temporary assignments	23	24
GROUP HEAD OFFICE STAFF[1]	1,183	1,219
French Overseas Collectivities	109	109
Foreign countries[2]	452	459
GROUP LOCAL HIRES[2]	561	568
AFD GROUP TOTAL	**1,744**	**1,787**
Overseas reserve bank head office staff[1]	96	98
Overseas reserve bank local hires	266	257
OVERSEAS RESERVE BANK TOTAL	**362**	**355**
TOTAL STAFF MANAGED BY THE GROUP	**2,106**	**2,142**
AFD Group VI/VCAT	94	100
Overseas reserve bank VI/VCAT	9	6
INTERNATIONAL VOLUNTEER (VI/VCAT) TOTAL	**103**	**106**

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

At present, AFD has 2,142 employees worldwide, representing an increase of 36 employees relative to 2013.
The 1,317 head office employees recruited in Paris (38 more than in 2013) break down as follows:

- ✓1,219 AFD Group head office employees;
- ✓98 head office employees seconded to French Overseas reserve banks.

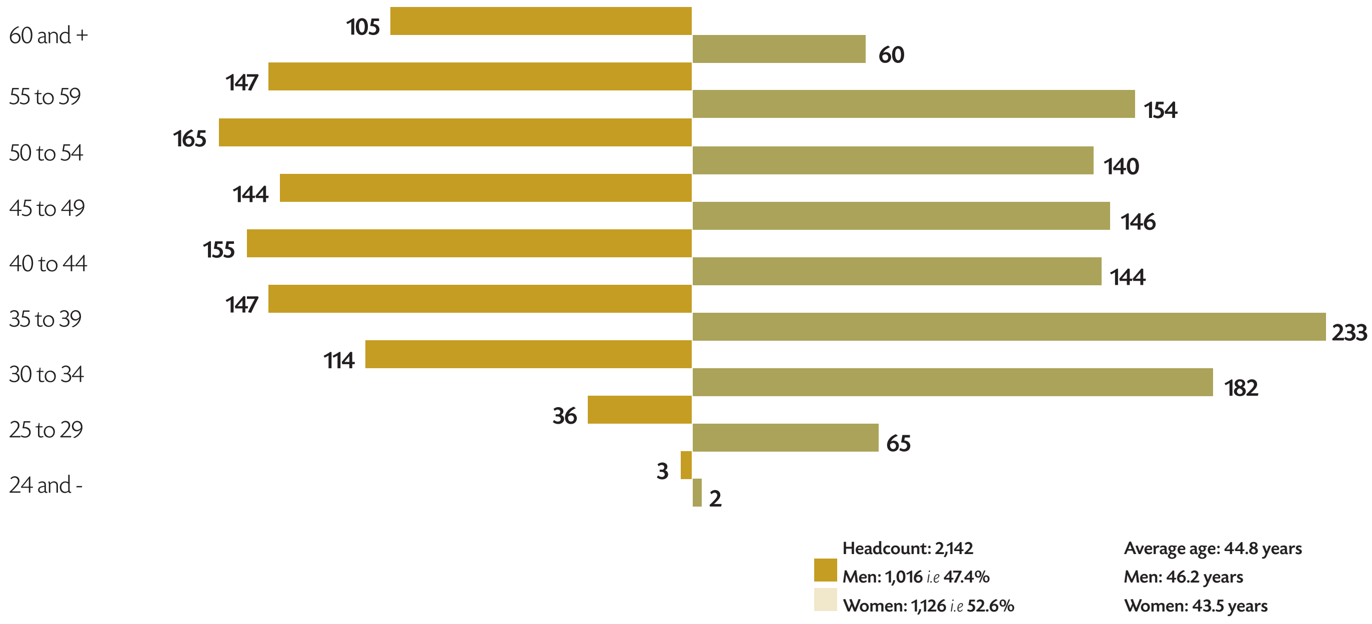
The 825 employees recruited locally (two more than in 2013) include:

- ✓568 AFD Group employees recruited locally;
- ✓257 French Overseas reserve bank employees recruited locally.

For several years, AFD has strengthened its local skills base, particularly by recruiting highly qualified managers in its local offices ....Group

Employee breakdown by gender and age

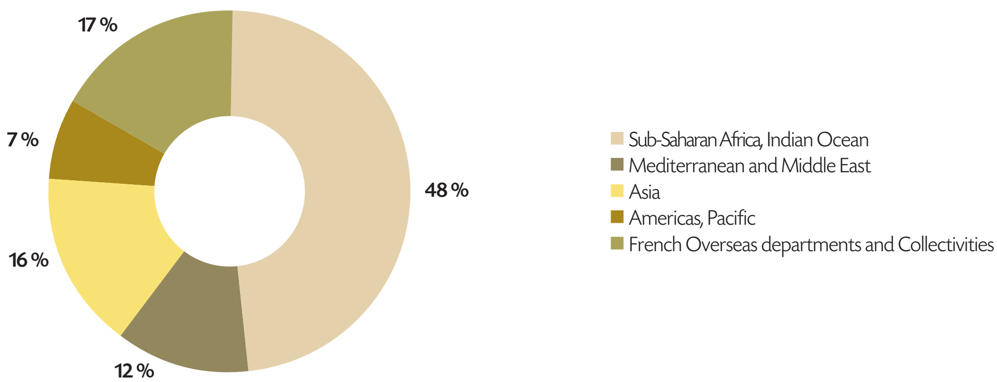
Total staff managed by the Group broken down according to gender and age in 2014 (at 31 December 2014)



At the end of 2014, 52.6% of employees managed by AFD Group are women.
Their average age is 43.5 versus 46.2 for men. .... Group

Employee breakdown by region

Regional breakdown of AFD Group's "Network" employees (outside France) at 31 December 2014



	Head office expatriate staff	Local hires	VI/VCAT[1]	Total AFD Group Network Workforce	
Sub-Saharan Africa, Indian Ocean	70	269	52	391	48%
Mediterranean and Middle East	22	66	13	101	12%
Asia	27	88	15	130	16%
Americas, Pacific	12	36	11	59	7%
French Overseas Departments and Collectivities	20	109	7	136	17%
TOTAL	**151**	**568**	**98**	**817**	**100%**

Excluding French Overseas reserve banks, technical assistance and temporary assignments.
1. + 2 VIE at head office (awaiting assignment)

2.1.1.2 *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, knowledge production (economics and the political sciences) and sector-based expertise (healthcare and education), as well as recurring support and management positions in areas such as risk analysis, internal auditing, project management, management control, back office, etc.

In 2014, the total number of new hires on a global scale was 163 new employees (89 head office employees and 74 employed locally). ......Group

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	**89**	**74**	**163**
Of which French Overseas reserve banks	7	13	20

CDI employee departures from the Group

In 2014, the total number of permanent departures worldwide totalled 131 (59 head office employees and 72 employed locally). ......Group

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Retirement	35	14	49	2.3%
Voluntary redundancy	2	1	3	0.1%
Resignation	12	25	37	1.7%
End of civil servant secondment	3		3	0.1%
End of definite-term contract		26	26	1.2%
End of trial period	4	2	6	0.3%
Dismissal[1]	3	1	4	0.2%
Death		3	3	0.1%
TOTAL	**59**	**72**	**131**	**6.1%**
Of which French Overseas reserve banks	3	20	23	

1. Dismissals were mainly due to medical unfitness.

The percentage of employees on indefinite-term contracts who left the Group remained low. These turnover rates reflect the employee retention policy.

Dismissals

In 2014, four employees were dismissed (three head office employees and one employee hired locally in foreign countries), primarily for medical unfitness ......Group

2.1.1.3 *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)	2014	2013
Average gross annual salary	68.2	67.4

......Group

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, AFD's profits are redistributed for the benefit of all employees (profit-sharing for employees at head office and in the French Overseas Collectivities, and a performance bonus for locally hired employees in foreign countries).

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 the employer. It covers not only employees and their dependants, but also retirees and their dependants.

AFD's total social protection plan (healthcare fees, insurance and retirement) also covers locally hired employees in foreign countries.

As a result, in 2014 all employees hired in France and locally in foreign offices are covered by social protection mechanisms. These supplement existing systems, where applicable ......Group

2.1.2 Scheduling of working hours

2.1.2.1 *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 branches, staff regulations governing employees hired locally comply with the laws of the country in question, resulting in an average of 37.5 hours worked 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:

- ✓1,575 hours for employees whose working time is expressed in hours;
- ✓205 days for employees whose working time is expressed in days.

Pursuant to the French law of 8 February 2008, AFD offered to buy back days held in time savings accounts (CET) 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 2014, employees worked 1,568.5 days from home. For the sake of comparison, in 2013 employees worked 1,265 days from home, reflecting an increase of 23% over a period of 2 years.

In addition, in order to improve work-life balance, employees may take advantage, at their request, of a part-time work arrangement. 6.8% of employees worked part time in 2014. 94% of them are women. 71% of part-time employees chose the 80% option.
........France

2.1.2.2 *Absenteeism*

In mainland France, 9,941 days were lost to illness in 2014, equivalent to a 2.9% absenteeism rate........France

2.1.3 Employee relations

2.1.3.1 *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 50 employees) collectively represent employees for all matters related to the company's management, 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. Employees hired in foreign offices and in French Overseas Departments have an employment contract governed by staff regulations and any relevant collective agreement in the territory in question (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 4 April 2014.

2.1.3.2 *Collective agreement evaluation*

Agreements signed during 2014:........France

03/03/2014	Generation contract action plan
05/23/2014	Amendment to employee savings plan regulation (contribution matching)
07/03/2014	Generation contract action plan amendment
07/10/2014	Agreement related to professional gender equality
07/11/2014	Amendment to the memorandum of understanding on the AFD Employee Mortgage Programme
07/11/2014	Amendment to the memorandum of understanding on AFD employee mortgage restructuring
09/30/2014	Agreement on electronic voting
09/30/2014	Agreement on SAL/PRE (*prime de responsabilité à l'expatriation* or expatriation bonus)

2.1.4 Health and safety

2.1.4.1 *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 guarantees 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), the medical social work department 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 employee representative-HR Department 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

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

No agreement was signed in 2014.

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

There were nine work- or travel-related accidents requiring time off in 2014, with 154 days lost to accidents over the year..........France

That translates into a frequency rate of accidents at work of 5.27 and a severity rate of 0.09.

AFD Group could find no occupational illness contracted within the organisation.

2.1.5 Training

2.1.5.1 *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 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. A practical unit was offered as part of the seminar that provided a real, hands-on approach to development practices. In 2014, three groups of employees were given an operational demonstration of the various forms of aid while visiting projects in French Guiana, South Africa and Benin..........Group

2.1.5.2 *The total number of training hours*

2014 was an active year in terms of training: 22,942 hours of training were logged, representing an investment of 3.93% of total payroll compared with the 1.6% required under French law[7].

Support staff hired locally were included in the overall training effort led by the Human Resources Department (41,564 hours in 2014). In fact, in 2014, 220 local employees received training organised by the Human Resources Department (at the head offices or regionally), which represents a total of 5,205 hours of training.

2.1.6 Equal treatment

2.1.6.1 *Measures taken to promote equality between men and women*

In 2007, an initial agreement was signed to promote professional gender equality between women and men. In July 2014, a third agreement was signed to confirm and update this commitment for the 2014-2016 period.

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.

7. Figures from Declaration 2483 FR

Ambitious goals were set for 31 December 2016 to establish balanced representation by men and women at all levels of the business:
- ✓percentage of executives who are female: 50% (achieved by end-2014: 47.3%);
- ✓percentage of supervisory positions held by women (excluding section heads): 35% (achieved by end-2014: 30.6%);
- ✓percentage of women in the network: 33% (achieved by end-2014: 28.5%);
- ✓rate of promotion for women and men that corresponds to their representation at each level of employment.

In 2014, the HR Department continued initiatives aimed at ending any differences in compensation for similar positions. Furthermore, it aimed to define a policy to make it easier for the spouses of employees assigned to local offices to work, which is currently the major stumbling block for transferring employees abroad.
A new agreement covering the period running from 2014 to 2016 is in the process of being negotiated with the unions.

2.1.6.2 *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 understanding that the definition of disabled employees varies in different countries) and within AFD Group it has resulted in:
- ✓AFD's head office had 24 disabled employees at 31 December 2014;
- ✓Percentage of total employment at AFD Group's French offices in 2014: 2.21%.

In addition, management and the unions signed a disability agreement in December 2012. Having won approval from the Regional Directorate for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (Direccte) in February 2013, this agreement covers the following four areas for the 2013-2015 period:
- ✓hiring and integration of disabled new hires 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

2.1.6.3 *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 2014, AFD's workforce included 13 young people working under professional training contracts as well as 10 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.

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

2.1.7.1 *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 2.1.3.1 covers the structure of employee dialogue at AFD.

2.1.7.2 *Discrimination (Employment and Occupation)*

Paragraph 2.1.6 covers the measures taken by AFD to provide equal treatment in accordance with the laws applicable to AFD.

2.1.7.3 *Abolition of forced Labour*

As a signatory to the UN Global Compact, AFD is committed to supporting and enforcing basic principles in the areas of human rights, labour and environmental standards and the fight against corruption.

2.1.7.4 *Minimum age*

As a signatory to the UN Global Compact, AFD is committed to supporting and enforcing basic principles in the areas of human rights, labour and environmental standards and the fight against corruption.

2.2 ENVIRONMENT

2.2.1 General environmental policy

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

Sustainable development is at the core of AFD Group's activity. Action priorities are a response to environmental concerns: supporting sustainable urban development in Sub-Saharan Africa, limiting the environmental impact of rapid growth in Asia, reconciling development and the fight against climate change, especially in emerging countries. These concerns have been developed in cross-disciplinary, sectoral and regional action strategies.

AFD Group strives to adopt best practices in all its activities. It maintains a prescriptive sectoral exclusion list that indicates the types of projects it categorically refuses to finance on ethical, regulatory, environmental and social grounds[8]. Meanwhile, as any development activity could harm the environment and/or local communities, AFD Group ensures its partners commit to reducing these risks and impacts. In line with this reasoning, funding approval is subject to clients implementing preventative or remedial measures addressing these risks. Such initiatives are defined based on a principled environmental and social evaluation conducted during project appraisal, referred to as due diligence.

As for the Group's environmental policy for its own operations, it falls under a national, European and international framework of regulations and incentives. It focuses on the following priorities: assessing the direct environmental footprint, implementing measures for mitigating, adapting and offsetting this impact, and raising awareness of these issues among employees. An example of this policy is the construction of Le Mistral, one of the head office buildings, which was carried out to meet the "high environmental quality" (HQE) standard, a designation the building received upon completion because of the way it was built.

2.2.1.2 *Environmental protection training and education initiatives for employees*

Training is essential for adopting the environmental approach. This requires dedicated thematic training (management of environmental and social risks related to operations, climate and biodiversity) and ensuring that key messages are considered in the basic training (orientation programme in particular) or sector-based training.

To address environmental issues related to its operations, actions to raise awareness and promote initiatives are showcased through a dedicated Intranet space, internal news articles and statements, exhibitions, conferences, and by organising events on important international dates (Sustainable Development Week, European Week for Waste Reduction, etc.).

2.2.1.3 *Resources dedicated to the prevention of environmental risk and pollution*

AFD does not incur any environmental or pollution risk due to its banking activity.

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

For the reasons stated in the paragraph above, AFD has no provisions or guarantees for environmental risks.

2.2.2 Pollution and waste management

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

In Paragraph 2.2.4.1, AFD describes its measures for reducing air emissions in greater detail.
AFD's activity does not directly expose it to the need to take measures to prevent, reduce or reclaim pollution in water or soil.

2.2.2.2 *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 carrying out a series of internal environmental responsibility (REI) projects to improve its internal environmental management.

As part of « European Week for Waste Reduction », communications campaigns approved by the French Environment and Energy Management Agency (Ademe) were launched with the aim of raising awareness and forging consensus on the prevention of waste production.

8. The exclusion list may be downloaded at the following address: http://www.afd.fr/webdav/site/afd/shared/RSE/AFD%20-%20RSO%20-%20Liste%20d%27exclusion.pdf

At the same time, in 2012 AFD began a project to optimise waste management at its head office. The first stage of the Optigede project involved:

- ✓ carrying out a technical, economic, organisational and regulatory evaluation of waste, and;
- ✓ mapping and measuring the various waste flows generated.

The second phase made it possible to identify areas for optimising waste management and implementing action plans:

- ✓ including environmental criteria in the selection of paper (FSC standards and PEFC certification to promote sustainable forest management, European Ecolabel, percent recycled);
- ✓ paper recycling: PROPARCO, with help from Shred-It, and the AFD head office, with support from Confidentialys, a company with expertise in recycling public and confidential corporate documents, recycles 18 tonnes of paper per year;
- ✓ composting, recycling green waste from food and gardening following the example of the Brazzaville office;
- ✓ recycling and recovering old and discarded furniture;
- ✓ recycling plastic cups by Versoo.

Finally, AFD is carrying out its hazardous waste management strategy:

- ✓ collecting and treating batteries/small storage cells and light sources by Altys and AFT;
- ✓ recycling cartridges and toner by Conibi;
- ✓ donating almost 75% of replaced computers to schools and associations.

Waste production

Scope: head office excluding service providers

Waste	Indicator	2014	2013	2014/2013 change (as a%)
Total volume	tonnes/year	218	204	6.86%
Of which household and related waste	tonnes/year	143	138	3.62%
Waste production/employee	kg of waste/employee	184	202	-8.89%

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

In 2014, AFD entered into a « voluntary institutional partnership » with the City of Paris in order to receive support for an initiative to reduce waste production and to complete best practice sheets that will be distributed to all public institutions and companies in the same business sector.

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

AFD's activity does not directly expose it to the need to take preventive measures against noise pollution or any other specific type of pollution.

2.2.3 Sustainable Use of Resources

2.2.3.1 *Water consumption and water supply depending on local constraints*

AFD's head offices are not located in a water-stressed area. Due to its activity, AFD's water consumption does not call for specific measures. However, AFD has enhanced its water consumption monitoring system.

In 2013, AFD's head office in Paris continued its lavatory renovation programme by installing aerated sensor taps that limit water consumption.

Water consumption

Scope: AFD Paris head office excluding service providers

Water	Indicator	2014	2013	2014/2013 change (as a%)
Water consumption/employee	m^3/employee/year	10.27	12.89	-20%
Total water consumption	m^3/year	11,925	10,994	8%

2.2.3.2 *Commodities consumption and measures taken to improve efficiency*

The main resource used by AFD is paper. Paper consumption at AFD's head office includes direct use by employees (blank paper, envelopes and other paper supplies) as well as AFD Group's external communication documents (printing paper). The amount of FSC and PEFC paper[9] (blank paper, paper for printing publications) used by employees accounts for 76% of AFD's total consumption.

Rolling out the green copy project has helped us intelligently manage paper consumption by ensuring printers are configured to print double-sided and in black-and-white by default.

Commodities consumption
Scope: Head Office excluding service providers

Paper	Indicator	2014	2013	2014/2013 change (as a%)
Total consumption[1]	tonnes/year	78	71	10%
Paper consumption/employee[2]	kg/employee/year	45.5	54	-16%

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

2.2.3.3 *Energy consumption and measures taken to improve energy efficiency and renewable energy use*

Energy consumption
Scope: head office excluding datacentre.
Note that datacentre consumption is included in the AFD Head Office Bilan Carbone®.

Energy	Indicator	2014	2013[2]	2014/2013 change (%)
Total energy consumption/m²	kWh/m²/year (NFA)[1]	153	169	-9.38%
Total energy consumption	MWh/year	5,901	6,512	-9.38%
Total electricity consumption	MWh/year	4,256	4,541	-6.28%
Total steam consumption	MWh/year	1,366	1,674	-18.41%
Total cooling energy consumption	MWh/year	279	297	-6.06%
Total solar production	MWh/year	19,221	16,620	15.65%

1. Net floor area (excluding equipment rooms).
2. 2013 data were updated due to the change in scope covered.

Under an EDF « Équilibre + » contract, 100% of the electricity purchased by AFD's head office in Paris is produced using renewable energy sources (wind power, solar power, aerothermal energy, etc.). ADF is committed to promoting renewable energy and helps finance research on solar panels. AFD is working toward reducing its consumption of energy. As an example, energy consumption at the Rue Roland Barthes office fell 25.5% between 2007 and 2014. This is mainly attributable to the introduction in 2010 of a building management system (BMS) and the replacement of energy-intensive equipment.
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 policy for managing its assets 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 equipment that uses renewable energy.

As such, a study has been carried out on energy efficiency and potential investment in renewable energies (solar, wind, etc.) in the network of local offices. Work has made it possible to install an optimised tool for monitoring energy consumption 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 offices in terms of renewable energy production systems.

Furthermore, the Group has launched projects to apply a high environmental quality (HQE) and low-consumption approach to some premises of its local offices. Future housing for AFD management in Fort-de-France, Martinique, has 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.

9. FSC: Forest Stewardship Council - PEFC: Pan European Forest Certification - Paper from sustainably managed forests.

AFD installed solar arrays that generate electricity at its head offices: they produced 19,221 kWh in 2014.
In 2014, AFD Chad's (N'Djaména) own solar power system was installed on the roof of its office building. Solar modules are a solution that ensures a continuous power supply for the building, along with other power sources (public network and generator).

The Le Mistral building received HQE certification, achieving "Very Efficient" performance for five criteria and "Efficient" performance for five more. This means that the building was designed to minimise its impact on the environment and provides a high degree of comfort to the occupants.

2.2.3.4 *Soil use*

AFD's activity does not directly expose it to soil use concerns.

2.2.4 Climate change

Climate change complicates efforts to reduce poverty by causing increasingly frequent and severe damage in economically precarious regions, and by introducing the need for a low-carbon development plan. AFD's strategy takes climate change issues into account, as reflected by two targets:

- ✓ increasing the amount of approvals for loans with "climate co-benefits" to 50% of AFD's overall approvals in developing countries and 30% of PROPARCO's annual grants, and maintaining them at these levels. The target commitment is 70% for Asia and Latin America, 50% for the Mediterranean region and 30% for Sub-Saharan Africa;
- ✓ systematically assessing the carbon footprint of direct financing projects that have a significant impact in terms of greenhouse gas emissions (positive or negative).

In terms of the Group's direct impact on climate change, business travel is a major issue, as it is the primary source of greenhouse gas emissions. Since 2007, AFD has offset all greenhouse gas emissions for its offices in mainland France by purchasing carbon credits.

2.2.3.4.1 *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[10].

Created by Ademe, the Bilan Carbone® is a method for inventorying emissions of greenhouse gases (GHG) due to human activities or to a specific facility. This inventory must, insofar as possible, take into account all the flows necessary for the activity's operations (travel, purchasing, energy consumption, waste, etc.).

This tool makes it possible to:

- ✓ record, by order of magnitude, the GHG emissions produced by an activity and to identify the positions that contribute most to GHG emissions;
- ✓ identify potential action areas and draw up recommendations to reduce these emissions.

The results are expressed in tonnes of CO_2 equivalent (tCO_2eq), a unit of measurement for GHG emissions. It allows the impact of all gases on climate change to be measured by reference to that of carbon dioxide (CO_2).

To represent AFD's operations and activities, the operational oversight approach is used. The entities included are all those entities over which AFD has the power to modify operating policies.
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) that relate to the activities of the head office.

"Scope 3" corresponds to the factors taken into account in the Bilan Carbone® methodology (including emissions related to the purchase of products and services, capital property, the transport of goods and business travel).
The Group's Bilan Carbone® is guided 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 local offices in AFD's international network (70 sites in Africa, Latin America, Asia and the French Overseas Departments and Collectivities).

2.2.4.2 *Head Office Bilan Carbone®*

The 2014 Bilan Carbone® covers the period from 1 January to 31 December 2014.

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), which account for 20,157 tCO_2eq, or 16.98 tCO_2eq per employee (excluding service providers).
The change in greenhouse gas emissions between 2013 (22,603 tCO_2eq) and 2014 (20,157 tCO_2eq) is less than 10%.
For the Head Office Bilan Carbone®, this change mainly stems from travel and energy. As for business travel, the method used is to consider annual GHG emissions taken from the Amex database.

The enhanced building management system led electricity consumption at the Rue Roland Barthes building to drop by 25.4% compared to the 2007 benchmark year. Moreover, the EDF "Équilibre +" 100% renewable energy contract promotes a very low-carbon power supply.

The Bilan Carbone® is not an exact measurement but an estimate of greenhouse gas emissions. The CO_2 equivalent identified is approximate. The degree of uncertainty varies depending on whether the data (on waste and freight, for example) is hypothetical or not.
The margin of error for the Bilan Carbone® is approximately 20%.

10. The Bilan Carbone® is established every year according to the method approved by the French Environment and Energy Management Agency (Ademe)

The factors that produced the most emissions are travel, inputs and fixed assets. Business travel, the biggest factor, accounts for more than 55% of the head office'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.

Nonetheless, to properly assess the emissions related to travel, AFD has implemented reduction solutions such as video conferencing and telecommuting. The provisions of the new transportation policy should result in economic gains as well as progress in terms of our environmental impact.

Employee and consultant business travel (air and rail)
Scope: head office

Carbon and business travel	Indicator	2014	2013	2014/2013 change (as a%)
Total emissions	tCO_2eq/year	11,135	13,419	-17.02%
Total distance travelled	Thousands of km	32,522	38,775	-16.13%

2.2.4.3 *Group Bilan Carbone®*

As of the writing of this report, the Group's 2014 Bilan Carbone® was not yet consolidated. The data below refers to 2013.
Note: AFD Group's Bilan Carbone® for 2014 will be available in July 2015, as the consolidation of the Group's data for the previous year will not be available until the end of the first half of this one.

Total AFD Group emissions in 2013 which stood at 31,303 tCO_2eq (tonnes of CO_2 equivalent), an aggregate of:

- ✓ 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), which account for 22,603 tCO_2eq, or 22.33 tCO_2eq per employee;
- ✓ greenhouse gas emissions for our office network abroad: 8,700 tCO_2eq emitted in total, that is, on average, 150 tCO_2eq per office or 12 tCO_2eq per network employee (7.5 tCO_2eq excluding business travel).

The factors that produce the most emissions are travel/freight and inputs for our offices in mainland France, and travel/freight and energy for our international network of offices. Travel, the biggest factor, accounts for more than 69% of the Group's total emissions and 53% of the total emissions of the network worldwide. These results are explained by AFD's core business: because it is responsible for technical implementation of French official development assistance, field assignments are crucial for monitoring projects.

2.2.4.4 *Adapting to the consequences of climate change*

AFD is committed to controlling its greenhouse gas (GHG) emissions by acting both to reduce emissions and offset them since 2007.

For the first time, through Kinomé, AFD began offsetting its Group carbon footprint in 2013 (31,300 tCO_2eq) with project for improved charcoal stoves called "sewa" led by a group of Malian entrepreneurs.

2.2.4.5 *Protecting biodiversity*

The regions where AFD operates, including the French Overseas Departments and Collectivities, are home to remarkable biodiversity that is significant locally, regionally and also globally. Through its cross-disciplinary framework initiative on biodiversity for 2013-2016, AFD plans to increase the amount of its initiatives in this sector: the average annual volume of AFD's weighted financial commitments will be increased to a minimum of €160M, in order to protect, restore, manage and enhance ecosystems, include biodiversity in development policies and strengthen partnerships between France and developing countries with regard to biodiversity. It will increase the consideration given to biodiversity in its action strategies and in funded programs through tools such as the funding exclusion list and *ex ante* analyses of their environmental impact.

The Group's activity does not have a significant impact on biological balance, 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, a range of organic and fair-trade products are offered, etc.

2.3 INFORMATION ON COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

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

2.3.1.1 *Employment and regional development*

The mandate conferred on AFD by the French national authorities is to contribute to the economic and social development of the regions where it operates by financing and supporting development projects and programmes and by participating in debates, research and dialogue with the stakeholders involved.

Accordingly, the activities of AFD Group are designed to support the sustainable development of each region based on the type of needs by acting on:

- ✓food security;
- ✓social issues: education, healthcare, social protection and employment;
- ✓community needs for services and infrastructure: water and sanitation, energy, transportation and urban development;
- ✓the banking and financial sector.

All these activities are being developed with respect for the environment and natural resources. AFD plays a role as a catalyst for better socially responsible practices in emerging and developing countries.

PROPARCO includes these sustainability issues in its 2014-2019 strategy. This strategy affirms PROPARCO's commitment to promoting low-carbon and environmentally friendly economies, supporting growth models that create decent jobs, and providing as many people as possible with access to essential goods and services.

In this context, AFD evaluates the results and impacts of its activities throughout the project lifecycle. Before and during the project, the assessments conducted determine the viability and effectiveness (economic, financial, environmental, social, etc.) of the projects and AFD's ability to finance them.

For example, the following are measured: "number of people connected to the electricity distribution network", "number of residents of underprivileged neighbourhoods whose living space is improved or secured", etc.

Since early 2013, a "sustainable development" notice, in the form of a summary for each project submitted for AFD funding, has been prepared. This helps us evaluate the project's contribution to sustainable development based on six operational aspects: economic development; social welfare and the reduction of social inequality; gender equality; biodiversity conservation, the management of environments and natural resources; the fight against climate change and its effects; the sustainability of project impacts and the governance framework.

AFD is aware of the social, environmental and societal impact of its activities through the projects it finances, and is working to establish and monitor reliable indicators for measuring this impact. AFD is studying the possibility of reporting on these indicators in its management report.

2.3.1.2 *On local communities*

AFD Group strives to adopt best practices in all its activities. It maintains a prescriptive sectoral exclusion list that indicates the types of projects it categorically refuses to finance on ethical, regulatory, environmental and social grounds. Meanwhile, as any development activity could harm local communities, AFD Group ensures its partners commit to mitigating these risks and impacts.

2.3.2 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

2.3.2.1 *Conditions for dialogue with these stakeholders*

When investigating and implementing its projects, AFD ensures, through clauses and support, that the project owner consults with the various project stakeholders (local residents, in particular). Their interests and perspectives are also included in project assessments.

The effectiveness of the Group's action depends on its ability to work in networks and in partnership with all development stakeholders (other backers, the European Union, companies, local authorities, NGOs, etc.).

Strategic intervention frameworks[11], which structure the AFD's action priorities, are consistently discussed with stakeholders. In 2014, such discussions were held at the head office. They focused on the CSR policy (January 2014), the Gender CIS (Sectoral Intervention Framework) (February 2014), the Sustainable Cities CIS (February 2014), the Africa CIR (Regional Intervention Framework) (February 2014), and the Water and Sanitation CIS (March 2014).

In 2014, AFD financed 81 development projects led by 58 French CSOs[12] at a co-financing total of €58 million. These projects covered African (61%), Mediterranean (14%), Asian (12%) and Latin American and the Caribbean (13%) regions. AFD is also following 277 projects currently under way. In this context, it has a healthy dialogue with CSOs. This dialogue also covers cross-business assessments (mapping of inter-organisational platforms and collectives, evaluation of projects in Haiti in collaboration with the Fondation de France, etc.). Finally, 2014 was dedicated to a valuable strategic dialogue with CSOs structured around six discussion priorities identified by the CSO CIT (Cross-Disciplinary Intervention Framework) that was adopted in late 2013. They concern: accountability and transparency, ways to support operations of general interest, intermediate projects or projects in countries in crisis and post-crisis, the adaptation of SPC/DPO financing instruments and the streamlining of investigation and project monitoring procedures.

11. http://www.afd.fr/home/AFD/redevabilite-dialogues/dialogues/Dialogue-autour-de-nos-cadres-d-intervention-strategiques
12. Civil Society Organisations

2.3.2.2 *Partnership or sponsorship initiatives*

In 2014, the AFD Board of Directors adopted a partnership strategy for 2014-2016. This document sets out priorities for AFD partnerships with other institutions to (i) improve its operations to benefit counterparties in the Global South, particularly based on AFD's various mandates, (ii) take part in the discussion on the international development agenda, particularly in 2014 and 2015, based on post-2015 targets and the goals established at the 2015 United Nations Climate Change Conference, to be held in Paris, and (iii) spread its influence by acting as a catalyst for French experiences that are useful in terms of development for our counterparties in the Global South. In 2014, AFD signed 36 partnerships with or without financial commitments, representing a total of €1.8M and bringing the number of public institutions partnered with AFD (private sector and civil society, French, European and international) to more than 150. These partnerships both cover the full spectrum of AFD's operations and develop relationships with French and international partners that can help AFD fulfil its mandate.

2.3.2.3 *Transparency*

To build a relationship of trust and high-quality dialogue with these stakeholders, AFD is committed to enhancing transparency in its activities. In this respect, in 2014 AFD Group contributed to the launch of a government website dedicated to aid. The website provides comprehensive information on projects funded by France in each of the 16 priority poor countries in Sub-Saharan Africa (geographic location and explanatory note for projects).

Finally, AFD actively speaks out on issues of development and international cooperation so that French citizens can express their expectations, their vision and their concerns regarding the subject. To do this, AFD organises many events encouraging dialogue and the exchange of ideas: "Des idées pour le développement" (Ideas for Development) conferences are one example.

2.3.3 Subcontractors and suppliers

2.3.3.1 *Consideration of social and environmental issues in our purchasing policy*

Note: The scope for 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 all of the blank paper used for printing or photocopies is chlorine-free. This guarantee of sustainable, sensibly managed 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 used in purchased supplies. 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 making the most effective use of its operating budget as part of responsibly managing public funds.

Moreover, AFD launched an *Achats solidaires* (solidarity-based purchasing) campaign in 2014, adopting the principle that some of the savings generated by the purchasing process (1%) should be used to finance projects by micro-entrepreneurs around the world through microcredit. You can read more about this campaign at the dedicated website: **www.achatsafdmicrofinance.fr**.

In addition, responsible purchasing information sheets for product families with high CSR impact (cleaning, security, IT hardware, service providers employing workers with disabilities) were developed in 2014 and are available on AFD's intranet.

2.3.3.2 *The importance of subcontracting and consideration of suppliers' and subcontractors' corporate social responsibility in their relationships with AFD*

The contracts used include standard integrity clauses and an Appendix devoted to CSR. This gives the service provider the opportunity to show how it will take CSR requirements into account when providing goods and services. Responsibility for monitoring the way the contract and its clauses are implemented then becomes the responsibility of the department ordering the goods or services.

The theme of outsourcing is not applicable to AFD because it does not subcontract activity and therefore does not resort to outsourcing for its own activities.

2.3.4 Fair practices

2.3.4.1 *Initiatives for preventing corruption, fraud, money laundering and terrorist financing*

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, if appropriate, its shareholders as well as politically exposed persons. After a project is completed, 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[13] that collects information on 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

13. Available on the Group intranet.

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 by France, the European Union, the United Nations, the United States or the United Kingdom.

Checks carried out 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 imposed exclusion criteria[14] on the project owner, in addition to those covered by local legislation, in connection with processing and awarding contracts that AFD is likely to finance.

Counterparty commitments
AFD Group's financing agreements include a certain number of provisions that impose commitments on counterparties in terms of combating corruption, fraud, cartels, money laundering and terrorist financing. These provisions make it possible for AFD Group to suspend payments, cancel a portion of financing granted to a contract where improper or non-compliant practices have been detected and demand early repayment of all or part of a loan or subsidy.

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 and procedures to implement in terms of the fight against money laundering, terrorist financing and corruption. In 2014, training offered on AML/CFT/Corruption was updated in light of procedural changes in 2013 and 2014 (new reference document cir-R1001, procedure cir-P1019, etc.). As a result, two new e-learning modules were made available to AFD Group employees as of the end of 2013, and were used for self-training sessions in 2014. Between 1 November and 31 December 2014, 1,305 Group employees received AML/CFT/Corruption training *via* the updated e-learning platform.

163 Group employees also received classroom training on the AML/CFT/Corruption system. New classroom training materials specific to the activities of each group of employees have also been prepared to provide targeted training sessions ("new hires", "skills development", "change of position", "case studies", etc.). In addition, the CPC (Permanent Control and Compliance) Department conducted special training aimed at local office personnel (e.g. videoconference training or on-site training in some local offices). Finally, to educate and train staff at risk of internal and external fraud, dedicated training sessions were organised in 2014: 84 people participated in these sessions. One such training session was facilitated, in part, by a representative of the Serious Financial Crime Office of the French Judicial Police (OCRGDF).

2.3.4.2 *Measures taken to promote the health and safety of consumers*

AFD has a wide range of financial instruments tailored to the needs of those who receive its aid. Its financing terms are determined based on the type of project (its social, environmental and economic impacts), the borrower's creditworthiness (its sector of economic activity, its credit rating and its guarantees) and the climate in which the project will unfold (political, economic, social and environmental context). AFD closely monitors the sustainability of its borrowers' debt.

AFD takes pains to ensure that when it appraises projects, it analyses not only the financial, technical and economic aspects and the credit risk to which these projects are exposed, but also the social and environmental impacts of the projects and the commitment and ability of the stakeholders who will be in charge of bringing them to successful completion to factor in these issues in a serious and effective manner. Ensuring that projects cause no harm from an occupational and consumer health standpoint, whether with respect to inputs or products sold, also falls within the scope of these analyses.

2.3.5 *Initiatives to promote human rights*

The question of enforcing international standards in the area of human rights is asked and included in the implementation of the projects financed. Consistent with the exclusion list, AFD Group avoids financing the "production or sale of any illegal product or unlawful activity under the laws of the host country or France or under international regulations, agreements and/or conventions" as well as "products or activities that use forced labour[15] or child labour[16]".
As to mandatory due diligence within the scope of operations, it considers all risks regarding basic human rights that are addressed by internationally-recognised standards, legislation and conventions: human trafficking, sexual tourism, population displacement, forced labour, child labour, working conditions, fairness to disadvantaged and excluded groups (in particular women) and lack of respect for cultural diversity. These risks are formally set out in financing agreements signed with partners and recipients that must also mention adherence to the fundamental principles of the ILO.
Although it is not its primary responsibility, AFD works to promote human rights through its mandate to provide co-financing to civil society organisations, some of which are very active in this area (Lawyers Without Borders, Agir Ensemble pour les droits de l'homme, Reporters Without Borders, etc.).

14. See the Guidelines for Procurement of AFD-Financed Contracts in Foreign Countries - April 2014
15. "Forced labour" refers to any work or service, performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the ILO.
16. Employees must be at least 14 years of age as defined in the ILO's Declaration on Fundamental Principles and Rights at Work (C138 - Minimum Age Convention, Article 2), unless local laws required compulsory school attendance or a minimum working age. In such circumstances, the highest age requirement must be used.

2.4 REPORT BY ONE OF THE STATUTORY AUDITORS, AS A DESIGNATED INDEPENDENT THIRD PARTY, ON THE INCLUSION OF LABOUR, ENVIRONMENTAL AND SOCIAL DATA IN THE MANAGEMENT REPORT

Year ended 31 December 2014

To the Shareholders,

In our capacity as statutory auditors for Agence Française de Développement, designated as an independent third party and accredited by Cofrac under No. 3-1049[17], we submit to you our report on the consolidated labour, environmental and social data ("CSR Information") included in the management report for the year ended 31 December 2014 in compliance 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 CSR Information as set out in Article R.225-105-1 of the French *Commercial Code*, 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 aimed at ensuring compliance with the code of ethics, professional standards and all applicable legal and regulatory texts.

Responsibility of the statutory auditors

It is our responsibility, based on our work:

- to certify that the required CSR Information is included in the management report, or, if omitted, that such omission is explained in accordance with the third paragraph of Article R.225-105 of the French *Commercial Code* (Certificate of Inclusion of CSR Information);

- to formulate an opinion with a moderate degree of certainty that the CSR Information as a whole is presented in all its material aspects in a fair and truthful manner in compliance with the Standards (Reasoned opinion on the reliability of CSR Information).

This work was performed by a four-person team between February and April 2015. To assist us in carrying out our work, we have called on our experts in Corporate Social Responsibility.

We carried out the following work in accordance with professional standards applicable in France and the Decree of 13 May 2013, which defined the procedures an independent third party must follow to carry out its work, and, with respect to the reasoned opinion on reliability, in compliance with international standard ISAE 3000[18].

1. Certificate of inclusion of CSR Information

Based on interviews with the heads of the departments concerned, we have verified that the report presents the strategic priorities for sustainable development as they relate to the social and environmental impacts of the company's activities and its societal commitments and, when applicable, any resulting measures or programmes.

We compared the CSR Information in the management report with the list provided in Article R.225-105-1 of the French *Commercial Code*.

We verified that any omission of consolidated data is explained in accordance with the provisions of the third paragraph of Article R.225-105 of the French *Commercial Code*.

We verified that the CSR Information covered the entire consolidated scope, namely AFD as well as its subsidiaries as defined by Article L.233-1 and the companies it controls as defined by Article L.233-3 of the French *Commercial Code*, within the limits set out in the notes on methods in Chapter 4 of the management report.

Based on this work and taking into consideration the limits referred to above, we certify that the management report includes the required CSR Information.

2. Reasoned opinion on the reliability of CSR Information

Nature and scope of work

We held two meetings with the persons tasked with preparing the CSR Information in the departments responsible for the information collection process and, when necessary, with the persons responsible for internal control procedures and risk management in order to:

- ascertain whether the Standards are appropriate in terms of their relevance, completeness, reliability, neutrality and understandability, taking best practices for the sector into consideration when necessary;

- verify that a collection, compilation, processing and review procedure has been established with the aim of ensuring that CSR Information is consistent and complete, and learn about internal control and risk management procedures relating to the preparation of CSR Information.

We have determined the type and extent of our tests and controls based on the nature and importance of CSR Information with respect to the company's characteristics, the social and environmental issues linked to its activities, its priorities for sustainable development and best practices for the sectors.

17. For which the scope is available at www.cofrac.fr.
18. ISAE 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

For the CSR Information that we deemed to be the most important[19]:

- at Group level, we examined source documents and conducted interviews to corroborate all qualitative information (organisation, policies, measures), we applied analytical procedures to the quantitative information and checked, using sampling techniques, the calculations as well as the consolidation of data and ensured that it was consistent with the other information in the management report;

- at a representative sampling of offices selected[20] based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied. We also conducted detailed tests based on sampling, which consisted of checking the calculations made and reconciling data with supporting documentation. The selected sample represents 100% of the employees and between 92% and 100% of the quantitative environmental data.

For other consolidated CSR Information, we assessed its consistency with our knowledge of the company.

Finally, we assessed the relevance of the explanations provided when certain information was totally or partially missing.

We believe that the sampling methods and sample sizes that we used, based on our professional judgement, have allowed us to formulate an opinion with a moderate level of certainty. Greater certainty would require a broader audit. Because of the use of sampling methods and because of other limitations inherent in the operation of any information and internal control system, the risk of failing to detect a material misstatement in the CSR Information cannot be totally ruled out.

Conclusion

Based on this work, we found no material misstatement that would cause us to believe that the CSR Information is not, as a whole, presented in a truthful manner in compliance with the Standards.

Paris La Défense 10 April 2015

KPMG S.A.

Anne Garans
Partner
Climate change
& Sustainable Development Department

Pascal Brouard
Partner

19. ISAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information.
20. Social Indicators: total headcount (breakdown by gender, age and geographic area), the Group's external recruiting under indefinite-term employment agreements (CDI), the number of dismissals/redundancies (collective and individual), number of women in supervisory positions, absenteeism, total number of hours of training provided and average annual salary;
Environmental indicators: total consumption of paper, energy consumption, greenhouse gas emissions linked to business travel by air or rail;
Qualitative data: collective agreement evaluation; environmental protection training and education initiatives for employees; energy consumption and measures taken to improve energy efficiency and renewable energy use; impact on employment and regional development; conditions for dialogue with these stakeholders; partnership or sponsorship initiatives; initiatives for preventing corruption.

2014

3 CORPORATE GOVERNANCE

3.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

3.1.1 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. She appoints staff and sets employment conditions. She is authorised to delegate any of the authority necessary for the agency's operation. She carries out the duties that are delegated to her by the Board of Directors.

At 31 December 2014, General Management[1] had the following members

	AFD Position *appointment*	Other mandates and positions
Anne Paugam	Chief Executive Officer Three-year term, decree published on 31 May 2013	Director, Chair of the PROPARCO Board of Directors Alternate EIB Director Permanent AFD Representative to the Board of Directors of Bpifrance Financement as a Non-Voting Director
Jacques Moineville	Deputy Chief Executive Officer Indefinite term, memorandum of instruction AFD/DGL 31 of 3 June 2013	PROPARCO: Vice-Chair of the Board of Directors, Chair of the Advisory Investment Committee Fisea: permanent AFD Representative, Chair of the Board

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

Board of Directors

In accordance with Article R.513-34 of the French *Monetary and Financial Code*, the Board of Directors includes the following members, aside from its Chair:

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

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

The Chair of the Board of Directors is appointed by decree based on the report of the Minister in charge of the Economy, the Minister in charge of Cooperation, the Minister in charge of the French Overseas Departments and Collectivities and the Minister in charge of Immigration. The age limit applicable to the Chair of the Board of Directors is 70 years of age. She casts the deciding vote in the event of a tie.

If the Chair is absent, she is replaced by the eldest of the six State representatives.

Members of the Board of Directors have a three-year term. However, the term on the Board of Directors of members of Parliament ends when they cease to be members of the assemblies to which they were elected. Members of the Board of Directors are not paid. However, the Chair of the Board of Directors receives compensation, the amount of which is set by joint decree by the Ministers in charge of the Economy, Cooperation and French Overseas Departments and Collectivities.

At 31 December 2014, the Board of Directors had the following members:

Director	Term on the Board *appointment*	Address	Current position Other mandates
Laurence Tubiana	Chair Decree published on 3 July 2013	Agence Française de Développement - 5, rue Roland-Barthes - 75598 Paris Cedex 12	**Chair of AFD's Board** Special representative for COP21 Ambassador for Climate Change Negotiations Board member, French Agricultural Research Centre for International Development (Cirad)
Representatives of the French State (6)			
Antony Requin	Permanent 9 June 2013	Ministry of the Economy and Finance – DGT - 139, rue de Bercy - 75572 Paris Cedex 12	**Head of Multilateral Affairs and Development at the Directorate-General of the Treasury (DGT)** - Permanent member of the Board of Directors of the Bank of Central African States (BEAC) - Alternate governor representing France to the African Development Bank (AfDB) - Governor of the International Fund for Agricultural Development (Fida) - Co-Chair of the Paris Club
Arnaud Buissé	Alternate 7 October 2012	Ministry of the Economy and Finance – DGT - 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) - Member of the Board of Directors of the Green Climate Fund
Alexandre Koutchouk	Permanent 28 June 2013	Ministry of Finance and Public Accounts – 139, rue de Bercy - 75572 Paris Cedex 12	**Budget Department – Assistant head of 7th sub-department** Permanent director representing the Ministry of the Budget to: - The Agency for French Teaching Abroad (AEFE); - Institut Français; - National Forests Office; - French Office for the Protection of Refugees and Stateless Persons (Ofpra).
Thomas Kurkdjian	Alternate 22 June 2014	Ministry of Finance and Public Accounts – Budget Department – 139, rue de Bercy - 75572 Paris Cedex 12	**Head of the Office of Foreign Affairs and Development Assistance (7 BAED) Budget Department** Adoma (SEM) - Director
Anne-Marie Descôtes	Permanent 18 September 2013	Ministry of Foreign Affairs - Directorate General of Global Affairs, Development and Partnerships (DGMDP) - 27 rue de la Convention - CS 91533 - 75732 Paris Cedex 15	**Director-General, DGMDP** Member of several boards of directors for public undertakings as the representative of the supervisory authority, the Ministry of Foreign Affairs. The principal boards are: - The Agency for French Teaching Abroad (AEFE); - Expertise France (FEI); - Alliance Française; - Institut Français; - Institut de Recherche et Développement (IRD), Campus France; - Cité Internationale Universitaire de Paris (CIUP).
Frédéric Bontems	Alternate 14 September 2014	Ministry of Foreign Affairs - 37, quai d'Orsay - 75700 Paris	**Head of Development and Global Public Goods** No other office or function
Véronique Vouland-Aneini	Permanent 17 October 2013	Ministry of Foreign Affairs - 37, quai d'Orsay - 75700 Paris	**Deputy Head, Africa and the Indian Ocean** No other office or function
Marc Barety	Alternate 17 October 2013	Ministry of Foreign Affairs - 37, quai d'Orsay - 75700 Paris	Appointment published in the Official Journal of 3 August 2014: Ambassador Extraordinary and Plenipotentiary of the French Republic to the Republic of Iraq.
Thomas Degos	Permanent 21 March 2013	Ministry of the French Overseas Departments and Collectivities - 27 rue Oudinot - 75007 Paris	**Director-General of the French Overseas Departments and Collectivities, Prefect** Member of the Board of Directors of the national broadcasting company, France Télévisions

This table continues on page 52.

Director	Term on the Board *appointment*	Address	Current position Other mandates
Marc Del Grande	Alternate 29 January 2013	Ministry of the French Overseas Departments and Collectivities – 27 rue Oudinot – 75007 Paris	**Assistant Head of Public Policy at DGOM** Member of the Board of Directors for the following institutions: - French Overseas reserve banks; - Agence Nationale des Fréquences; - Agence Nationale de Rénovation Urbaine; - Société Immobilière de Guadeloupe; - Special Committee for Transactions involving French Overseas - Departments and Collectivities and (New Caledonia); - Commission Interministérielle des Dépôts d'Hydrocarbures; - Commission Nationale du Sport de Haut Niveau; - Government Commissioner at New Caledonia's; - Agence de développement rural et d'aménagement foncier; - Government Commissioner at the Institut Calédonien de participation.
Luc Derepas	Permanent 22 June 2013	Ministry of the Interior – 101, rue de Grenelle – 75323 Paris Cedex 07	**Director-General for Foreign Nationals in France** No other office or function
Marie Masdupuy	Alternate 22 May 2014	Ministry of the Interior – 101, rue de Grenelle – 75323 Paris Cedex 07	**Head of Strategy and International Affairs at the Directorate-General for Foreign Nationals in France** No other office or function
Persons appointed because of their expertise in economic and financial matters (4)			
Omar Kabbaj	Permanent 15 November 2013	57 Oulladia III – Rabat Souissi – Kingdom of Morocco	**Advisor to His Majesty the King of Morocco** No other office or function
Jean-Louis Mattei	Alternate 15 November 2013	Keystone BHFM/DIR - 11, rue Jean Mermoz - 75008 PARIS	Chair of the Supervisory Board: **Société Générale Maroc,** Casablanca, Morocco Chair of the Board of Directors: **SG Calédonienne de Banque,** Nouméa Director: **- Mauritius Commercial Bank,** MCB **- SG de Banques au Sénégal,** Sénégal **- SG de Banques en Côte d'Ivoire SGBCI,** Côte d'Ivoire - **SG de Banque au Liban S.A.L.**, Lebanon
Sylviane Jeanneney Guillaumont	Permanent 15 November 2013	La Gagère - 63190 Bort l'Étang	**Emeritus professor at the University of Auvergne** Researcher at Cerdi No other office or function
Guy Dupont	Alternate 15 November 2013	Fedom – Tour CIT – 3, rue de l'Arrivée – BP 196 – 75749 Paris Cedex 15	**Honorary Chair of Fedom** Chair of: SAS GVS, SAS ASR, SAS Ink-OI, Quali-sane SAS Member of the Board of Directors of: Bourbon SA, CBO SA, Sapmer SA, ART SA
Adeline Lescanne-Gautier	Permanent 18 June 2014	Nutriset – Hameau du Bois Ricard CS 80035 – 76770 Malaunay	**CEO of Nutriset** - Deputy CEO of Onyx Développement; - Chair of Tywyn; - Co-founder and Board member of Edesia (non-profit); - Qualified person on BPI's Regional Orientation Committee.
Christine Heuraux	Alternate 18 June 2014	EDF – International Development department – 22-30 Avenue de Wagram – 75008 Paris	**Director of Training Support, EDF's International Development Department** No other office or function
Jean-Louis Vielajus	Permanent 17 January 2013	Coordination Sud – 14, passage Dubail – 75010 Paris	**Chair of Coordination Sud** Delegate of CFSI (Comité Français pour la Solidarité Internationale)
Cécile Renouard	Alternate *18 June 2014*	Irene Avenue Bernard Hirsch BP 50105 95201 Cergy Pontoise Cedex	**Head of CODEV programme at ESSEC** - Professor of philosophy at the Centre Sèvres – Faculté Jésuites de Paris; - Instructor at the École des Mines de Paris; - Member of the Scientific Council of the Fondation Nicolas Hulot and the Fondation de l'Écologie Politique; - Member of the Scientific Council of the Water: Rationality Use and Imagery research programme at Jean Moulin Lyon 3 University's faculty of philosophy; - Member of the Human Development and Capability Association; - Vice-President of the Association des Théologiens et Ethiciens pour l'Etude de la Morale (Atem); - Member of the Congrégation Catholique des Religieuses de l'Assomption.

This table continues on page 53

Director	Term on the Board *appointment*	Address	Current position Other mandates
Person appointed because of his knowledge of ecological and sustainable development issues			
Pierre Radanne	Permanent 24 November 2013	14, cité Griset – 75011 Paris	Chair of Futur Facteur 4, Chair of the 4D thinktank (Dossiers et Débats pour le Développement Durable) and Chair of CLIP (Club d'Ingénierie Prospective)
Marc-Antoine Martin	Alternate 4 November 2013	2, rue Huysmans – 75006 PARIS	- Emeritus General Engineer - Corps des Ponts, des Eaux et des Forêts; - Member of the Board of Directors and Treasurer of the French Water Academy, a non-profit organisation; - Board Member for the Adaptation Fund - a fund under the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
Members of Parliament (4)			
Michel Destot	Permanent 25 September 2012	Assemblée Nationale – Rue de l'Université – 75007 Paris	**Deputy for the Isère Department** No other office or function
Stéphane Demilly	Alternate 25 September 2012	Assemblée Nationale – Rue de l'Université – 75007 Paris	**Deputy for the Somme Department** Mayor of the town of Albert Chair of the community of municipalities of Pays du Coquelicot
Noël Mamère	Permanent 25 September 2012	Assemblée Nationale – Rue de l'Université – 75007 Paris	**Deputy for the Gironde Department** Mayor of Bègles
Yves Nicolin	Alternate 25 September 2012	Assemblée Nationale – Rue de l'Université – 75007 Paris	**Deputy for the Loire Department (RESIGNED)** Member of the Board of Directors for AFA (Agence française de l'adoption)
Henri de Raincourt	Permanent 13 December 2014	Sénat – Rue Vaugirard – 75006 Paris	**Senator for the Yonne department** Chair of the community of municipalities of Gâtinais Chair of the Pôle d'Équilibre Territorial et Rural (PETR) du Nord de l'Yonne
Yvon Collin	Permanent 19 December 2014	Sénat – Rue Vaugirard – 75006 Paris	**Senator for the Tarn-et-Garonne department** No other office or function
Fabienne Keller	Alternate 19 December 2014	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 Andra Board of Directors; - Member of the Board of Directors of the Compagnie des Transports de Strasbourg; - Member of the Board of Directors of Andra.
AFD employee representatives[2]			
Jérémie Daussin-Charpantier	Permanent 12 December 2013	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** No other office or function
Anne-Laure Ullmann	Alternate 12 December 2013	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** No other office or function
Hatem Chakroun	Permanent 12 December 2013	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** Member of the Commission de Contrôle du Centre Inter-Entreprises et Artisanal de Santé au Travail (CIAMT)
François Pacquement	Alternate 12 December 2013	AFD – 5, rue Roland Barthes – 75012 Paris	**AFD employee** Treasurer of the Centre Inter-Entreprises et Artisanal de Santé au Travail Instructor at Pantheon Sorbonne University in Paris, Université Pierre Mendès-France in Grenoble and ENA in Strasbourg

3.1.2 Operation of administrative, management and supervisory bodies

Pursuant to Article R.513-35 of the French *Monetary and Financial Code*, the Board of Directors deliberates on the institution's strategies to implement the objectives entrusted to it by the State. It also approves the contractual targets and resources agreed with the State; the agreements referred to in Article R.513-29; financial aid as mentioned in Articles R.513-26, R.513-27 and R.513-28 and the rules provided for by this last article; agreements reached pursuant to the second, third, fourth and fifth paragraphs of Article R.513-30; 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.513-36 II of the French *Monetary and Financial Code*. The internal regulations define the procedure for consultation of the Board's members by the Chair, 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, for operations in foreign countries and for supporting the initiatives of non-governmental organisations). The specialised committee for activities in the French Overseas Departments and Collectivities includes three representatives of the French State, two of whom are appointed by decree of the Minister responsible for the French Overseas Departments and Collectivities and the third appointed by decree of the Minister of the Economy.

The specialised committee for activities in foreign countries includes five representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a further two of whom are appointed by the Minister of the Economy and the fifth appointed by decree of the Minister of Immigration 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, the third appointed by decree of the Minister of the Economy and the fourth 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 Chair of the Board of Directors.
The specialised committee for supporting the initiatives of non-governmental organisations is chaired by the Chair of the Board of Directors or by a member of the Board of Directors whom she appoints from among the representatives of the French State.
For the members of specialised committees, other than the Chair 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. As often as necessary and at least once a year, the Audit Committee provides the Board of Directors with an opinion on the financial statements, the effectiveness of internal controls and risk management.

The Agency borrows over the short, medium and long term in France and abroad, either through financial organisations, or by issuing bonds, notes, securities or any other debt instrument. It performs all financial transactions required for its activities. The Agency's transactions are recorded in accordance with the rules concerning trade and in compliance with regulations governing credit institutions. A Government commissioner, appointed by the Minister 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*. The audit of AFD's financial statements is carried out by two statutory auditors, appointed pursuant to the provisions of Articles L.511-38, D.511-8, D.511-9 and D.612-53 to R.612-60 of the French *Monetary and Financial Code*. The statutory auditors are bound by the obligations set out in Article L.511-38.

Article R.513-36 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 Chair. During 2014, the Board of Directors and its specialised committees met 34 times.

3.2 COMPENSATION 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 2014 is outlined below:

	Total gross compensation (in euros)
Anne Paugam, Chief Executive Officer	195,681
Jean-Jacques Moineville, Deputy Chief Executive Officer	172,443

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

Table comparing total gross compensation (in euros) in 2013-2014

Executive officers	2014	2013
Anne Paugam (Chief Executive Officer)	195,681	110,306
Jean-Jacques Moineville (Deputy Chief Executive Officer)	172,443	104,786
Dov Zerah (former Chief Executive Officer)		86,978
Didier Mercier (former Deputy Chief Executive Officer)		66,194

3.3 CONFLICTS OF INTEREST

As of the writing of this document, to the knowledge of the Issuer, there are no potential conflicts of interest between duties with regard to the Issuer, members of the Board of Directors and their private interests and/or other duties.

2014

4 RISK MANAGEMENT

4.1 RISK FACTORS

Because of the nature of its business activity, AFD is exposed to all of the risks of a credit institution, which it strives to measure, prevent and contain:

- 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;
- risk specific to market transactions: foreign exchange, counterparty and basis risks, particularly linked to the differences between foreign currency use and resources. AFD does not hold speculative instruments;
- the global interest rate and liquidity risks related to (i) differences between resources and their use with regard to interest rates and maturity and (ii) compliance with requirements for subsidised aid eligible for French Official Development Assistance (ODA);
- operational risk, commensurate with the strong growth of its activities over the last few years and the extent 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.

Aside from macroeconomic and social-political risks specific to the countries in which AFD operates, a few regional or international risks are likely to have an indirect impact on AFD's portfolio of loans and operations.

So far, five major risks of this type have been identified:

- the financial turmoil observed in several emerging countries in 2013 and 2014, and the volatility it has caused in the exchange rates of their currencies, could continue as a result of (i) the raising of key interest rates by the Federal Reserve, which is expected in 2015, and (ii) macroeconomic uncertainty in several emerging countries related to their growing public and/or private debt and a slowdown in their growth;
- the decreases in the prices of the major commodities seen since mid-2012 and especially the steep drop in oil prices that began in mid-2014 could weaken the economic fundamentals of exporting countries;
- ongoing slack domestic demand in the eurozone could continue to negatively impact countries for which the eurozone is a key export market (notably southern and eastern Mediterranean countries);
- a pronounced slowdown in Chinese growth could have negative impacts on countries that are highly dependent on the Chinese markets for their exports (Asian countries, but also several Latin American countries);
- the political situation of the southern and eastern Mediterranean remains unstable and is having a negative impact on the economic fundamentals of several countries in the region.

4.2 BASEL II PILLAR 3

4.2.1 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.

4.2.2 Scope of application

4.2.2.1 *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 the Paragraph 1.1 *Information about the company.*

4.2.2.2 *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 paragraphs 5.4 of the *Consolidated financial statements prepared in accordance with IFRS accounting principles adopted by the European Union: Notes 5.5.2.1 Consolidation Scope and Methods.* Moreover, there are no restrictions on transferring funds or regulatory capital within the Group.

4.2.3 Capital

4.2.3.1 *Capital structure*

The capital of AFD Group at 31 December 2014 stands at €5.48bn. Aside from its Tier 1 capital, which stands at €2.8bn, AFD recorded €2.78bn in Tier 2 capital. Tier 2 capital break down as follows: (i) €2.38bn in resources with special conditions (RCS) and (ii) €399M in subordinated loans. Furthermore, AFD deducted €95M from its regulatory capital for equity investments in credit or financial institutions that amount to more than 10% of their capital or which entail significant influence over these institutions.

Capital structure of AFD Group at 37 December 2014 (in millions of euros)

Tier 1 capital		**2,798**
Of which share capital	400	
Of which eligible reserves	2,417	
Of which other Tier 1 capital with the agreement of the ACPR	0	
Items to deduct from Tier 1 capital:	-19	
Intangible assets	-19	
Tier 2 capital		**2,781**
Deduction from Tier 1 and Tier 2 capital		**-95**
Total capital	**TOTAL**	**5,484**

4.2.3.2 *Capital adequacy*

AFD easily meets the minimum capital requirements set out in Pillar 1, with a capital adequacy ratio of 17.37% at 31 December 2014 (18.12% at 31 December 2013). This drop is mainly due to strong growth during the fiscal year at both AFD and PROPARCO and the resulting 19% increase in credit risk-weighted exposure. Simultaneously, regulatory capital has increased by €680M.

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

- ✓ mapping risks beyond those 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 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)

Total capital		**5,484**
Tier 1 capital	**2,798**	
Tier 2 capital	2,781	
Deduction from Tier 1 and Tier 2 capital	-95	
Eligible capital		**2,526**
Credit risk	**2,442**	
Governments and central banks	667	
Banks	640	
Corporates	1,013	
Equities	122	
Market risk	**0**	
Foreign currency net position < 2% of capital	-	
Operational risk	**84**	
Standard approach to operational risk	84	
Capital surplus or deficit		**2,957**
Solvency ratio		**17.37%**

4.2.4 Risk exposure and evaluation procedures

4.2.4.1 *Credit risk*

4.2.4.1.1 General information

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

Regarding risk stemming from loans, exposures that are in arrears, *i.e.* primarily loan risk, are monitored in the information system and are automatically downgraded as doubtful loans according to arrears rules defined by the regulations and as writedowns. The approaches adopted for specific and general provisions and writedowns are presented in Paragraph 5.5 of the financial statements: Provisions and Impairments of loans and receivables in the Notes to the consolidated financial statements. Ratings are reviewed on a periodic basis to ensure individual monitoring of counterparties.

4.2.4.1.1.1 Credit risk exposure

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

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Assets		
Cash, due from central banks	48,069	15,316
Financial assets measured at fair value through profit and loss (excluding derivatives)	41,423	35,338
Available-for-sale financial assets	1,148,100	944,112
Loans and receivables due from credit institutions	6,850,872	6,351,737
Demand	*1,183,078*	*1,018,423*
Term	*5,667,794*	*5,333,314*
Loans and receivables due from customers	19,446,296	15,983,965
Commercial receivables	*3,177*	*3,292*
Other loans to customers	*19,443,119*	*15,980,673*
Overdrafts	*0*	*0*
Finance lease	*0*	*0*
Loans and receivables	*26,297,168*	*22,335,702*
Held-to-maturity financial assets	714,541	689,382
Equity stakes in companies accounted for by the equity method	166,578	160,887
Financial assets at fair value through profit and loss (Derivatives)	101,139	112,506
Hedging derivatives	2,163,265	1,089,729
Derivatives	2,264,404	*1,202,235*
Off-balance sheet items		
Firm lending commitments	8,714,603	7,753,853
Financial guarantees	621,275	822,247
GRAND TOTAL	**40,016,161**	**33,959,072**

4.2.4.1.1.2 Breakdown by major credit exposure category, type of counterparty and geographic area

The geographic spread (foreign countries/French Overseas Departments and Collectivities) and the breakdown by type of activity (sovereign/non-sovereign) for the gross loan portfolio is discussed in Chapter 5.3.1 - *Consolidated balance sheet (page 67)*.

The different types of financial assets are detailed in Note 3 to the financial statements - *Financial investments*.

As for equity investments, the relevant consolidated balance sheet headings are presented in the table below:

Equity investments

	31/12/2014 IFRS			31/12/2013 IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity stakes at fair value through profit and loss		17,721	17,721		14,711	14,711
Equity stakes included in available-for-sale financial assets	24,258	850,557	874,815	53,665	739,668	793,333
Companies accounted for by the equity method		166,578	166,578		160,887	160,887
TOTAL	**24,258**	**1,034,856**	**1,059,114**	**53,665**	**915,266**	**968,931**

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

Derivatives

	31/12/2014 IFRS	31/12/2013 IFRS
In thousands of euros	Assets	Assets
Fair value hedging		
Interest rate derivatives	1,515,828	648,783
Interest rate and foreign exchange derivatives (cross-currency swaps)	647,437	440,946
Total 1	**2,163,532**	**1,089,729**
Financial assets at fair value		
Interest rate derivatives	4,873	546
Foreign exchange derivatives	95,999	111,960
Total 2	**100,872**	**112,506**
TOTAL DERIVATIVES	**2,264,404**	**1,202,235**

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	31/12/2014 IFRS	31/12/2013 IFRS
Commitments given	**9,335,878**	**8,576,100**
Financing commitments made to credit institutions	1,188,339	915,888
Financing commitments made to consumers	7,526,264	6,837,965
Of which financing commitments	**8,714,603**	**7,753,853**
Guarantee commitments made to credit institutions	28,177	725,151
Of which DOM Fund activity	*0*	*265,752*
Guarantee commitments made to consumers	593,098	97,095
Of which guarantee commitments	**621,275**	**822,247**

Loan commitments - geographic spread and breakdown by type of activity

In thousands of euros	2014		2013	
	Total	%	Total	%
Loan commitments at the Group's risk	**8,594,603**	**99%**	**7,513,853**	**97%**
Of which Foreign Countries	7,888,304	91%	7,072,612	91%
Sovereign	*5,264,392*	*60%*	*4,518,360*	*58%*
Non-sovereign	*2,623,911*	*30%*	*2,554,252*	*33%*
Of which French Overseas Collectivities	706,299	8%	441,241	6%
Loan commitments at the State's risk	**120,000**	**1%**	**240,000**	**3%**
Loans guaranteed by the State	*120,000*	*1%*	*240,000*	*3%*
TOTAL GROUP LOAN COMMITMENTS	**8,714,603**		**7,753,853**	

Guarantee commitments - geographic spread

In thousands of euros	2014			2013		
	Foreign Countries	Overseas France	Total	Foreign Countries	Overseas France	Total
Guarantee commitments given - credit institutions	28,177	-	28,177	459,399	265,752	725,151
Guarantee commitments given - customers	528,802	64,296	593,098	32,073	65,022	97,095
GUARANTEE COMMITMENTS	**556,979**	**64,296**	**621,275**	**491,473**	**330,774**	**822,247**

4.2.4.1.1.3 Breakdown of contractual residual maturities of the entire portfolio

Breakdown of assets by residual maturity

In thousands of euros	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undetermi-ned	Total
1 Financial assets at fair value through profit and loss	33	336	80,578	19,605	42,010	142,562
2 Derivatives used for hedging purposes (assets)		107,715	495,556	1,559,994		2,163,265
3 Available-for-sale financial assets					1,148,100	1,148,100
4 Loans and receivables (including lease financing contracts)	2,551,742	1,765,030	8,965,616	13,014,780		26,297,168
5 Held-to-maturity investments	15,625	43,297	256,249	399,370		714,541
Subtotal	**2,567,400**	**1,916,378**	**9,797,999**	**14,993,749**	**1,190,110**	**30,465,636**
Cash, due from central banks	48,069					48,069
Equity stakes in companies accounted for by the equity method					166,578	166,578
TOTAL	**2,615,469**	**1,916,378**	**9,797,999**	**14,993,749**	**1,356,688**	**30,680,283**

4.2.4.1.1.4 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 thousands of euros	Outstandings	Writedowns	Outstandings net of writedowns
Foreign Countries			
Sovereign	10,000,427	80,397	9,920,030
Of which doubtful	*85,770*	*79,245*	*6,525*
Non-sovereign	9,324,665	580,763	8,743,902
Of which doubtful	*389,726*	*231,667*	*158,059*
Overseas France			
Non-sovereign	4,008,506	12,761	3,995,746
Of which doubtful	*74,317*	*12,761*	*61,556*
Other outstanding loans	**68,090**		68,090
TOTAL	**23,401,688**	**673,921**	**22,727,767**
Of which doubtful	*549,813*	*323,672*	*226,141*

4.2.4.1.1.5 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.

4.2.4.1.2 Credit risk: Portfolios under the standard approach and regulatory weightings

AFD chose the standardised method to calculate the risks used to determine the capital adequacy ratio. The weightings applied depend on the ratings given to countries or entities by external bodies (Moody's, Fitch and S&P) and to the type of counterparty (third-party asset class).

The weightings applied by the Group for rated counterparties are as follows:

Weighting used to calculate risks							
Rating	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**Lesser than or equal to CCC+**	**Not rated**
Asset class							
Sovereign	0%	20%	50%	100%	100%	150%	100%
Banks	20%	50%	50%	100%	100%	150%	100%
Corporates	20%	50%	100%	100%	150%	150%	100%

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

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

Weighted exposures in (millions of euros)					
Risk weighting	**Sovereigns and other institutions**	**Banks**	**Corporates**	**Equities**	**Total**
0%					
20%	0	364	16		379
50%	1,573	2,127	2		3,702
100%	6,554	4,494	10,475	413	21,937
150%	213	68	2,167	584	3,031
250%				531	531
TOTAL	**8,340**	**7,053**	**12,660**	**1,529**	**29,581**

4.2.4.1.3 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, first demand guarantees, letters of intent and comfort letters, endorsements, etc.;
- ✓collateral: 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 creditworthiness of the guarantor and 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 €1.53bn in personal guarantees, which break down as follows:

- ✓€1.35bn in guarantees on balance sheet items that mainly consist of loans guaranteed by the French State;
- ✓€180M in off-balance sheet items consisting of undisbursed amounts guaranteed by the French State.

4.2.4.1.4 Counterparty risk

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

Limit system
Counterparty risk 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.
The unitary approval limit is set for a counterparty based on the counterparty's rating and AFD's capital.

4.2.4.1.5 Securitisation

AFD has no securitisation activity.

4.2.4.2 *Foreign exchange and market risk*

AFD does not have a speculative operations portfolio. However, it records in its trading book any non-deliverable or illiquid currency hedging instruments, forward hedging instruments and/or hedging instruments that have lost their hedging purpose. AFD's positions were below the thresholds applicable to capital requirements with regard to market risk.
The Group's overall net foreign-currency position subject to capital requirements at 31 December 2014 is €58M, primarily in dollars. It does not exceed the threshold of 2% of capital.

4.2.4.3 *Operational risk*

Operational risk management within AFD Group (identifying and evaluating risks, rating risk management data, reporting, procedure for declaring operational incidents) is described in detail in Chapter 4.3.1 - *Internal control and risk monitoring (page 63)*.
The measurement and management of operational risk is incorporated in the permanent control system.

Operational risk assessment
When calculating its regulatory capital requirements for operational risk, AFD Group uses the basic method, which relies on the basic indicator as defined in Article 316 of the EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms. Under the basic method, capital requirements for operational risk are equal to 15% of the average of the basic indicator (Net Banking Income, excluding provisions and writedowns) smoothed over three years.

Capital requirements for operational risk
AFD's average NBI stood at €561.2M for the last three financial years including 2014, and capital requirements for operational risk totalled €84.2M at 31 December 2014.

4.2.4.4 *Risk on equities and other financial instruments*

The methods for valuing and recording equity investments held by the Group are presented in Paragraph 5.5 of the financial statements: - *Financial assets and liabilities at fair value through profit and loss and Available-for-sale financial assets* in the Notes to the consolidated financial statements *(see page 82)*. The accounting standards for equity-accounted equity investments are outlined in 5.5.2.1.2 *Consolidation methods (page 81)*.
The summary table of equity investment exposure is provided in Paragraph 4.2.4.1.1.2 *(page 59)*.
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.
Capital requirements for this category of risk equalled €122M based on a risk-weighted amount of €1.53bn.

4.2.4.5 *Interest rate risk in the banking portfolio*

The paragraph on *Interest Rate Risk (page 99)* describes this type of risk in detail.

4.3 RISK MANAGEMENT

4.3.1 Internal control and risk monitoring

Internal control is the entire system through which General Management ensures that the operations completed and the structure and procedures implemented comply with legal and regulatory provisions, professional and ethical practices and internal rules and guidelines set out by the company's executive body. Internal control aims to:

- ✓adequately control risks taken so as to ensure they are managed;
- ✓ensure that financial and management information is correct, complete and accurate;
- ✓verify the integrity and availability of information and communications systems.

The AFD Group organises its risk management around the key principle that risk assessment departments must be independent of operational departments. The control system has two levels:

- ✓level I controls
  These controls are carried out at the beginning of the operation by division employees or by automated processing systems;
- ✓level II controls
  - level II controls (2.1)
    These controls are carried out after operations are completed, and are performed by employees different from those who initiated the operation;
  - level II controls (2.2)
    These can only be officially carried out by employees of the Permanent Control and Compliance Department assigned to control functions (DXR/CPC). These controls focus on the results of the previous level of controls on significant risks without, however, replicating them.

In accordance with the Decree of 3 November 2014, internal control includes a permanent control system and a periodic control system.

- ✓Permanent control relies on ongoing monitoring, which is conducted by operational departments and their management, and is coordinated by the Permanent Control and Compliance (CPC) Department. It is tasked with monitoring the consistency, efficiency, comprehensiveness and compliance of the systems implemented to ensure, at the operational level, that the Group's transactions are compliant, secure and valid, and with conducting the due diligence needed to monitor all kinds of risks: credit, market, overall interest-rate, liquidity, settlement and operational risks, as well as strategic and reputational risks.

The risk measuring and monitoring process is based on updating the risk map and on a system for tracking identified or potential incidents. This system is used to determine corrective and preventive measures aimed at preventing the repetition of incidents, and to monitor the implementation of said measures. The most significant information is shared with the various levels of the organisation according to an escalation process.

- ✓The Periodic Control function constitutes Level III. Given the rules governing the independence of the services that it provides, the General Inspection Department (IGE) reports to AFD's Chief Executive Officer. Periodic control focuses on operations compliance, the level of risk effectively incurred, compliance with procedures and the effectiveness and appropriateness of the permanent control systems established by AFD.

Group risk management is governed by two main bodies: the Board of Directors *via* the Audit Committee and the Internal Control Committee.

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 officers, as stipulated in Article 10 of the Decree of 3 November 2014.

The Audit Committee

Falling under the responsibility of the Board of Directors, the Group Audit Committee is responsible for: checking that financial disclosures are understandable and assessing the relevance of the accounting methods; assessing the quality of internal control; issuing opinions about the reports produced pursuant to Articles 42 and 43 of CRBF regulation 97-02.

Risk management is carried out by the Group Risk Management Department (DRG) of the Executive Risk Department (DXR), by the Counterparty Risk Division (DRC) at the individual credit risk level and by the Risk Monitoring Division (DSR) at the consolidated level covering both credit risk and market operations.

Responsibility for carrying out these controls does not fall exclusively to this department: among other procedures, a semi-annual review of non-sovereign counterparties is conducted by geographical regions, credit transactions are referred for a second opinion (DXR/SOP) and the Corporate Secretariat provides strategic and financial guidance (DFC/PSF). Each quarter, a risk committee presents a summary of counterparty credit and market risks. Weekly treasury committee meetings, quarterly asset and liability management committee meetings and financial and accounting committee meetings address financial matters.

4.3.2 Comprehensive interest rate, foreign exchange, liquidity and market risks

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 asset and liability management risks on its balance sheet.

The key components of AFD's financial and asset and liability management 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 carrying out market and investment operations with only the counterparties that have the highest credit ratings.

Limits and management criteria are set based on guidance from AFD's Board of Directors. In 2014, the Board updated limits and management rules, particularly a minimum liquidity rule covering three months of cash requirements in order to deal with the possibility of a prolonged closure of financial markets.

4.3.3 Major risk ratio

At 31 December 2014, AFD Group was in compliance with the major individual risk ratio set out by banking regulations, *i.e.* a maximum of 25% of risk-based consolidated capital.

4.3.4 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 17.37% at 31 December 2014 (18.12% at 31 December 2013).

4.3.5 Other operational risks

4.3.5.1 *Risk related to the settlement process*

Disbursements made by AFD for the projects it finances undergo two controls governed by procedures that check the integrity and accuracy of information provided to it by project beneficiaries: a Level I control is conducted by the operational departments and a Level II control is carried out by a dedicated division (DCV). This division is a specialised unit that, in accordance with Article 14 of the Decree of 3 November 2014, is independent of operational structures and is responsible for controlling disbursement requests.

In this regard, it conducts a post-disbursement review of supporting materials and documents constituting the disbursement file provided by AFD's operational departments. The control is performed through spot checks that use a risk-based approach.

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

4.3.5.2 *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-disciplinary 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);
- ✓ in market transactions;
- ✓ in institutional matters (bylaws, governance, relationships with the government, agreements for various services);
- ✓ in criminal matters, on all subjects where 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 AFD and/or the Group over the last 12 months.

4.3.5.3 *Compliance risks*

According to regulations, the Permanent Control and Compliance Department (CPC) is responsible for the prevention, detection, monitoring and management of compliance risk throughout AFD Group. CPC's management of compliance risk covers all sectors, operations, geographic areas and regulatory contexts of the AFD Group.

Compliance risk is defined as "*the risk of legal, administrative or disciplinary sanction, material financial loss or loss to reputation arising from failure to comply with the provisions governing banking and financial activities, whether they be directly applicable legal, regulatory, national or European provisions, or whether they are professional and ethical standards or the instructions given by executive officers, particularly in light of the guidelines from the supervisory body*" (Decree of 3 November 2014, Article 10 P).

The CPC department ensures the Group complies with (i) internal and external provisions related to preventing money laundering and terrorist financing (AML/CFT), (ii) those related to the fight against corruption and associated infractions as well as fraud and anti-competitive practices, (iii) those that govern the performance of banking and financing activities or (iv) those that ensure the protection of clients' personal data and private lives in relation to compliance issues.

In accordance with regulations, the CPC department issues a formal opinion on all of the Group's new activities and products.

The department is part of the Executive Risk Department (DXR). The Compliance function reports on its activities to the Internal Control Committee (Cocint) and to the New Products and New Activities Committee (Coconap in Compliance training).

The following changes were made to the compliance risk-management system during 2014:

- ✓ various procedural amendments regarding the internal anti-money laundering and counter-terrorist financing system, and regarding the internal procedure for processing suspicions of fraud and corruption affecting projects financed

by the Group and external to projects, in order to make them more effective;
- ✓amendment of AFD Group's policy regarding Non-Cooperative Jurisdictions (NCJs) in order to take into account new restrictions on the Group's activities and new obligations introduced by the Framework Act on Planning Related to France's International Solidarity and Development Policy (LOPDSI), adopted on 7 July 2014;
- ✓contributed to analysis of the impact of the US Foreign Account Tax Compliance Act (FATCA) on AFD Group;
- ✓reinforced training initiatives on combating money laundering, terrorist financing, corruption and fraud: AML/CFT/Corruption training was updated according to procedural changes made in 2013 and 2014 (new cir-R1001 reference document, cir-P1019 procedure, etc.). As a result, two new e-learning modules were made available to AFD Group employees as of the end of 2013, and were used for self-training sessions in 2014. In addition to e-learning, the CPC department modified its in-class sessions. Dedicated anti-fraud and fraud prevention training was implemented in 2014.

4.3.5.4 *Insurance - Coverage of risks run by AFD*

AFD has a "civil liability" insurance policy that also covers PROPARCO, a "directors and officers civil liability" policy, a "labour relations" policy, a "first excess property damage" policy that also covers PROPARCO and Cefeb, an "all exhibition risks - works of art" policy, and a "directors and officers civil liability specific to supplementary pension scheme management (IGRS) risk" policy.

All of the offices within the network are covered by local insurance policies, (multi-risk residential and office and civil liability for office activities), except for the Kabul office, for which the effort to obtain insurance is ongoing (effective date planned for the first quarter of 2015) due to difficulties in finding an insurer locally.

These policies are accompanied by vehicle insurance covering head office (head office policy) and the network (local policies) plus "worldwide" death and disability (Group accident insurance).

4.3.5.5 *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 system security issues, activities linked to the business-continuity plan and to physical security measures in mainland France, as well as security for local offices within AFD Group's network. The unit also carries out ongoing security controls.

The information system security policy, which is ISO 27002-compliant, 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 simultaneously implementing an information security management system compliant 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. The information security management system made it possible to include 85 critical control points used to verify that the security measures in place are functioning smoothly.

The Security Unit is responsible for maintaining and upgrading the AFD business continuity scheme in accordance with ISO 22301. It is set out in four framework documents: the business continuity policy, the crisis management plan, the business continuity plan and the IT and telecommunications recovery plan. These documents are supplemented by a set of procedures for each essential activity. These procedures are updated annually following a review of the activity impact assessment. These arrangements, which primarily cover the risks of information system unavailability, are regularly tested and are the subject of a report to AFD's decision-making body.

4.3.5.6 *Tax risk*

Tax risk is monitored by AFD's Finance and Accounting Department. No tax audit was conducted in 2014 within the Group and no particular risk has been revealed so far.

4.3.5.7 *Other operational risks*

Other operational risks include those covered by Article 10 of the Decree of 3 November 2014.

They correspond to *the risk of loss resulting from the inadequacy or failure of internal systems, staff or procedures, or from external events, including legal risk. Operational risk includes risks related to low-probability, high-impact events, the risk of internal or external fraud and risks related to our business model.*

AFD Group implements a policy to secure operational processes and promote risk culture within the organisation.

The limit in terms of operational losses is determined as a percentage of NBI.

5 FINANCIAL INFORMATION

5.1 RECENT CHANGES AND FUTURE PROSPECTS

5.1.1 Recent changes

Activity

The Group has continued to build on growth begun in previous years, with approvals of over €7.8bn for the Group (excluding special operations drawing on funds from other backers) compared to €7.5bn in 2013.

Governance

AFD's system of governance has not been changed.

5.1.2 Future prospects

For 2015, the Group's business plan provides for a volume of approvals totalling €8.3bn (for all operations), in line with the contractual targets and resources target (COM 2014-2016). Compared to 2014, this business plan assumes that AFD's activity will grow by 5% in foreign countries, while activity will stabilise at €1.1bn for PROPARCO and €1.55bn for the French Overseas Departments and Collectivities.

The implementation of the business plan in 2015 nonetheless depends on the stability of budgetary resources allocated to the AFD to subsidise its lending in the proportions set out in the contractual targets and resources. Furthermore, the continuation of very low interest rates, as was the case in 2014, is a key condition for achieving the business plan.

The relaunch of non-sovereign activity, initiated in 2014, will be a major priority in 2015. The tools established concern companies, banks and local authorities: contributing long-term financing, supporting partners and unveiling new goals ("social business", financial innovation and currency risk hedging). The major canvassing effort carried out in 2014 should be enhanced in 2015-2016 in order to better understand needs in certain sectors and seek out partners with whom AFD is not yet familiar.

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

- ✓ **Sub-Saharan Africa** remains the priority region, with stable overall projected activities of €2.5bn. AFD anticipates an increase in the amount of non-sovereign and non-subsidised loans and a relative stabilisation of activities under specific mandates (including general budget support). However, the exact amount of this increase is difficult to predict. Regarding the priority countries suffering from poverty, AFD's aim is a level of commitments at least equal to that of 2014 (approximately €800M).
- ✓ As for the **Mediterranean and Middle East**, AFD expects a volume of approvals totalling €920M. The political situation is such that it prevents planning for a significant recovery in this activity. AFD will continue its efforts on non-sovereign activity which, in 2014, accounted for 45% of its commitments. Finally, 2015 will be marked by the adoption of a new regional intervention framework in 2015-2018, based on three goals: supporting growth, social cohesion and managing scarce natural resources.
- ✓ In 2015, activity in the **Asia Pacific** region is expected to increase in terms of volumes granted, with an approvals target of €1.17bn. This growth should continue to be driven by strong activity in South Asia, as well as funding for new projects in Central Asia and the Caucasus and the granting of our first loans in Burma. As in 2014, projects financed in 2015 shall illustrate AFD's proactive position on climate and urban issues in Asia and will help promote French expertise and French economic interests in the region.
- ✓ In 2015, AFD expects its **Latin American and Caribbean** activity to grow, with a commitment level slightly under €1bn. Sovereign commitments are planned in Mexico and Colombia, and activity should experience balanced growth thanks to the launch of operations in Peru, Ecuador and Bolivia, confirming AFD's position as a leading bilateral player across this sub-region. The activity will remain guided by the mobilisation of non-subsidised lending instruments. Efforts to promote French expertise and influence will remain a main priority, particularly in the field of renewable energy and the best management of land and natural resources. AFD will also seek to increase its participation as a leading backer for projects on the theme of "sustainable cities";
- ✓ For 2015, the volume of AFD activity in **the French Overseas Departments and Collectivities** may reach €1.55bn in commitments. However, the context of AFD intervention among overseas public stakeholders presents areas of uncertainty: the impact of land reform, the establishment of a single authority in some jurisdictions, questions about the sustainability of government grants, the deteriorating financial situation of local authorities, the sluggish economic climate, etc. However, AFD plans to continue sustained financing activity for public stakeholders. Regarding support for the overseas private sector, AFD's aim is to continue its efforts on direct loans (by continuing to develop its operations in the energy transition sector) and to maintain its proprietary guarantee activity at a volume of around €50M. Finally, its services for Bpifrance are expected to reach a total value of €530M, a slight increase compared to 2014 with an upward trend.

5.1.3 Borrowings

On 18 December 2014, AFD's Board of Directors authorised AFD to borrow €6bn for its operations on its own behalf in 2015, in the form of bank loans or bonds, with or without a public offering. This ceiling includes a maximum loan of €300M from the French Treasury.

5.1.4 Information about trends

There has been no significant deterioration in the outlook for the issuer and its consolidated subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2014.

5.1.5 Significant change in the issuer's financial position

There has been no significant change in the financial position of the issuer and its consolidated subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2014.

5.2 POST-CLOSING EVENTS

There were no significant post-closing events during the following reporting period.

5.3 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.

5.3.1 Consolidated balance sheet (in millions of euros)

In millions of euros

ASSETS	2014	2013	LIABILITIES	2014	2013
(Net outstanding) loans	**23,983**	**20,280**	**Market borrowings**	**21,127**	**17,293**
- Gross outstandings	**24,570**	**20,801**			
- Individual writedowns	-325	-292			
- Collective writedowns	-349	-309	**Borrowings from the French Treasury**	**2,792**	**2,630**
- Interest accrued	88	80			
			Current accounts	**11**	**8**
Revaluation difference on interest rate hedged portfolio	**28**	**36**	**Revaluation difference on interest rate hedged portfolio**		
Financial assets at fair value through profit and loss	**142**	**148**	**Financial liabilities at fair value through profit and loss**	**339**	**48**
Hedging derivatives	**2,163**	**1,090**	**Hedging derivatives**	**1,089**	**527**
Available-for-sale securities	**912**	**809**	**Funds under management and advances from the State**	**409**	**454**
Companies accounted for by the equity method	**167**	**161**	**Accruals and other liabilities**	**1,742**	**1,267**
			Provisions	**725**	**657**
Investment portfolio	**175**	**689**	**Shareholders' equity attributable to the Group**	**2,725**	**2,591**
Short-term cash assets	**2,599**	**2,206**	**of which Group income**	**120**	**151**
Fixed assets	**215**	**214**	**Minority interests**	**284**	**238**
Accruals and other assets	**319**	**80**			
TOTAL	**31,243**	**25,713**	**TOTAL**	**31,243**	**25,713**

ASSETS

Net outstanding **AFD Group loans** reached €23.98bn at 31 December 2014 (77% of the balance sheet), up €3.70bn or 18% compared with the previous year.

Gross outstandings stood at €24.57bn, up €3.77bn or 18% compared with 2013.

This rise in gross consolidated outstandings was due mainly to:

- ✓ the significant increase in loans at the Group's risk in the foreign country zone (up €3.74bn);
- ✓ an increase in outstanding loans in the French Overseas Departments and Collectivities (up €144M);
- ✓ partially offset by the decline in loans at the risk of the French government (down €128M).

In millions of euros	2014		2013	
	Total	%	Total	%
- Loans at AFD Group's risk	**23,401.7**	**95%**	**19,504.7**	**94%**
Of which Foreign Countries	19,325.1	79%	15,590.1	75%
Sovereign	*10,000.4*	*41%*	*8,185.4*	*39%*
Non-sovereign	*9,324.7*	*38%*	*7,404.7*	*36%*
Of which French Overseas Collectivities	4,008.5	16%	3,864.4	19%
Of which other loan outstandings	68.1	0%	50.3	0%
- Loans at the State's risk	**1,168**	**5%**	**1,295.9**	**6%**
Loans guaranteed by the State	*990.5*	*4%*	*1,069.1*	*5%*
Loans granted by the State	*177.4*	*1%*	*226.8*	*1%*
TOTAL GROSS OUTSTANDINGS	**24,569.7**		**20,800.6**	

Outstanding loans at the Group's risk amounted to €23.40bn, of which €19.33bn for foreign countries and €4.01bn for the French Overseas Departments and Collectivities. This resulted in individual writedowns and provisions totalling €1.22bn, providing a 5% coverage ratio (unchanged from 2013). Doubtful loans amount to €550M. They are covered by writedowns and provisions totalling €330M (this amount includes €7M in shared sovereign provisions), that is, a coverage ratio of 60%.

Summary of outsandings and provisions for depreciation

In millions of euros	Outstandings	Writedowns and provisions
Foreign Countries		
Sovereign	10,000.4	627.8
Of which doubtful	*85.8*	*85.8*
Non-sovereign	9,324.7	580.6
Of which doubtful	*389.7*	*231.7*
French Overseas Departments and Collectivities		
Non-sovereign	4,008.5	12.8
Of which doubtful	*74.3*	*12.8*
Other outstanding loans	68.1	
TOTAL	**23,401.7**	**1,221.2**
Of which doubtful	*549.8*	*330.2*

Other assets rose to €7.26bn in 2014 versus €4.74bn in 2013 and represented 23% of total assets. They include the following items:

- ✓ €28M in interest rate-hedged portfolio revaluation differences, versus €36M in 2013;
- ✓ financial assets at fair value through profit or loss of €142M, versus €148M in 2013;
- ✓ financial hedging derivatives of €2.16bn, versus €1.09bn in 2013;
- ✓ available-for-sale financial assets of €912M versus €809M in 2013;
- ✓ equity-accounted equity stakes of €167M, versus €161M in 2013;
- ✓ the investment portfolio of €715M (€689M in 2013);
- ✓ short-term cash of €2.6bn, versus €2.21bn in 2013;
- ✓ fixed assets, accruals and other assets of €534M, an increase of €240M compared to 2013.

LIABILITIES

In 2014, AFD Group's **borrowings** totalled €23.92bn and included:

- ✓ outstanding **market borrowings** of €21.13bn at 31 December 2014, compared with €17.29bn at 31 December 2013;
- ✓ outstanding **borrowings from the French Treasury** amounted to €2.79bn versus €2.63bn in 2013. They include €166M in senior debt and €2.63bn in subordinated debt.

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	2014	2013	Change
AFD	2,502.5	2,433.7	68.8
PROPARCO	221	162.3	58.8
Socredo	94.2	90.9	3.4
Soderag	-125	-124.9	0
Other subsidiaries	32.6	28.6	4
GROUP TOTAL	**2,725.4**	**2,590.5**	**134.9**

Minority interests totalled €284M at 31 December 2014, compared with €238M at 31 December 2013.

AFD paid €37.16M in dividends to the French government in 2014 versus €62.69M in 2013.

Other liabilities amounted to €4.32bn in 2014 (€2.96bn in 2013):

- ✓ funds under management and advances from the State of €409M (€454M in 2013);
- ✓ provisions of €725M (€657M in 2013);
- ✓ financial liabilities at fair value through profit or loss of €339M (€48M in 2013);
- ✓ hedging derivatives of €1.09bn (€527M in 2012);
- ✓ current accounts and accruals and other liabilities of €1.75bn (€1.28bn in 2013). Other liabilities include €2.9M in supplier debts. In accordance with Article L.441-6 of the French *Commercial Code,* the supplier debt schedule at 31 December 2014 can be found below:

	31/12/2014					31/12/2013				
	Unmatured debt			Matured debt	Total	Unmatured debt			Matured debt	Total
In millions of euros	1 to 30 days	31 to 60 days	More than 60 days			1 to 30 days	31 to 60 days	More than 60 days		
Supplier debt	**0.70**	**0.10**	**0**	**2.10**	**2.90**	**1.30**	**0.10**	**0**	**2.60**	**3.90**

Regulatory capital[21] amounted to €5.48bn at 31 December 2014 versus €4.81bn at 31 December 2013. Tier 1 capital for 2014 stands at €2.75bn; Tier 2 capital stands at €2.73bn.

21. Shareholders' equity is calculated in compliance with EU Directive 2013/36/EU and Regulation 575/2013.

5.3.2 Consolidated income statement

Consolidated income statement 2014-2013

In millions of euros

Expenses	2014	2013	Income	2014	2013
Financial expenses on borrowings	**1,057.1**	**934.6**	**Income on loans and guarantees**	**1,257.9**	**1,122.3**
- Financial expenses on borrowings	430.4	400.2	- Interest and commissions on loans and guarantees	677.4	618.9
- Expenses on swaps	625.3	523.7	- Income on swaps	623.8	544.3
- Net foreign exchange loss	1.4	10.7	- Net provisions for sovereign funds	-49.9	-47
			- Net provisions for unpaid interest	-2.2	-2.8
			- Recoveries on subsidies for budget support	8.7	9
Miscellaneous financial expenses	**10.9**	**8.5**	**Subsidies**	**186.8**	**185.3**
			Commissions	**52.9**	**49.9**
			Net gains on financial instruments at fair value through profit and loss	**-11.8**	**45.5**
			Net gains on available-for-sale financial assets	**19.3**	**24.3**
			Investment income	**48.2**	**43.8**
			Ancillary income and miscellaneous	**22.3**	**18.5**
TOTAL EXPENSES	**1,068**	**943.1**	**TOTAL INCOME**	**1,575.6**	**1,489.5**
NET BANKING INCOME	**507.5**	**546.4**			
Overhead	280.9	287.1			
- Staff costs	184.8	184.7			
- Taxes and other general expenses	96.1	102.5			
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	16.5	15.3			
Total expenses on non-banking operations	297.4	302.5			
GROSS OPERATING INCOME	**210.1**	**243.9**			
Cost of risk	**-68.8**	**-65.9**			
- Collective provisions and writedowns	-39.6	-76.4			
- Individual writedowns of non-sovereign loans	-28.6	14.7			
- Loss of principal on bad loans	-0.6	-4.2			
OPERATING INCOME	**141.3**	**178.1**			
Share of earnings from companies accounted for by the equity method	5.8	4.8			
Net gains or losses on other assets	-1.2	1			
PRE-TAX INCOME	**145.9**	**183.9**			
Corporate tax	-13.5	-15.7			
NET INCOME	**132.4**	**168.2**			
Minority interests	-12.4	-17.5			
NET INCOME, GROUP SHARE	**120**	**150.8**			

Intermediate balances

The main intermediate balances changed as follows between 2013 and 2014:

In millions of euros	2014	2013	Change
Net banking income	**507.5**	**546.4**	**-38.9**
Gross operating income	210.1	243.9	-33.8
Cost of risk	-68.8	-65.9	-3
Operating income	**141.3**	**178.1**	-36.8
Net income	**132.4**	**168.2**	-35.8
Minority interests	-12.4	-17.5	5.1
NET INCOME, GROUP SHARE	**120**	**150.8**	**-30.8**

AFD Group's income for 2014 stood at €120M (group share), decreasing by €30.8M compared with 2013.

Net banking income

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

In millions of euros	2014	2013	Change
AFD	**400.4**	**450.2**	-49.8
PROPARCO	111.8	100.6	11.2
Fisea	-7.2	-6.7	-0.4
Soderag	0	0	0
Sogefom	2.6	2.4	0.2
Propasia	-0.1	0	-0.1
GROUP TOTAL	**507.5**	**546.4**	**-38.9**

Net banking income reached €507.5M in 2014, down by €38.9M compared with 2013 due to the aggregate effect of the items listed below:

In millions of euros	2014	2013	Change
Balance of loans/borrowings	**391.1**	**386.5**	**4.6**
Investment income	48.2	43.8	4.5
Net interest provisions	-2.2	-2.8	0.6
Commissions	52.9	49.9	3
Income on instruments at fair value net of currency effects	-11.8	45.5	-57.3
Other financial income and expenses	29.3	23.6	5.7
NET BANKING INCOME	**507.5**	**546.4**	**-38.9**

The change in net banking income was mainly due to:

- ✓ a slight increase in the balance of loans/borrowings net of subsidies (up €4.6M);
- ✓ a very slight increase in provisions in 2014 for sovereign and non-sovereign interests compared to 2013 (up €0.6M);
- ✓ the increase in commissions (up €3M);
- ✓ the strong negative impact of the decline in income from financial instruments at fair value through profit or loss, net of currency effects (down €57.3M);
- ✓ the increase in other financial income and expenses (up €5.7M).

Gross operating income

Ordinary income before tax totalled €210.1M in 2014 versus €243.9M in 2013. This €33.8M decrease results from a combination of the decline in NBI (down €38.9M) and the increase cost of risk (up €3M), slightly offset by the positive impact (€24.5M) of lower non-banking operating expenses.

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

In millions of euros	2014	2013	Change
AFD	**143.8**	**187.7**	**-43.8**
PROPARCO	72.5	62.1	10.4
Fisea	-7.2	-6.8	-0.4
Propasia	-0.1	-0.1	-0.1
Soderag	0	0	0
Sogefom	1.2	1.1	0.1
TOTAL	**210.1**	**243.9**	**-33.8**

Operating income

Operating income stood at €141.3M, down €36.7M compared with 2013.

The cost of risk represented an expense of €68.8M versus €65.9M in 2013:

In millions of euros	2014	2013	Change
Collective provision allocations	-39.6	-76.4	36.7
Individual writedowns of non-sovereign loans	-28.6	14.7	-43.4
Loss of principal on bad loans	-0.6	-4.2	3.6
TOTAL COST OF RISK	**-68.8**	**-65.9**	**-3**

The cost of risk was €3M higher in 2014 than in the previous year, primarily due to (i) the high level of provisions for individual writedowns (€28.6M in 2014, versus a €14.7M reversal in 2013), and (ii) provisions for collective depreciations, which were lower (€39.6M in 2014, versus €76.4M in 2013).

Ordinary income before tax

Ordinary income before tax totalled €145.9M in 2014 versus €183.9M in 2013:

- ✓ the share of earnings from equity-accounted companies (€5.8M) was slightly higher than in 2013 (€4.8M);
- ✓ this year, gains and losses from other assets represented a loss of €1.2M versus a gain of €1M in 2013.

Net income

After factoring in corporate tax (€13.5M) and the stakes of minority shareholders in PROPARCO, Propasia and Sogefom (€12.4M), net profit in 2014 totalled €120M.

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

	2014		
In millions of euros	Group share	Minority interests	Total
AFD	**99.4**		**99.4**
Fully consolidated companies	**27.2**	**-12.4**	**14.8**
PROPARCO	35.1	-12.7	22.4
Sogefom	-0.5	0.2	-0.3
Soderag	0		0
Propasia	-0.1	0	-0.1
Fisea	-7.2	0	-7.2
Equity-accounted companies	**5.8**		**5.8**
Socredo	3.4		3.4
SIC	0.1		0.1
Simar	2.3		2.3
GROUP TOTAL	**132.4**	**-12.4**	**120**

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

5.4.1 Overview

Agence Française de Développement (AFD) is an industrial and commercial public undertaking 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.

5.4.2 Accounting standards applied to Agence Française de Développement

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented in accordance with French Accounting Standards Authority (ANC) Recommendation 2013-04 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 IFRS Interpretations Committee.

The accounting standards used in the preparation of AFD's financial statements at 31 December 2014 are described in Note 2.2.

These consolidated financial statements are presented in thousands of euros.

5.4.3 Standards applicable as at 31 December 2014

The standards and interpretations used in the financial statements as at 31 December 2014 were supplemented by the provisions of IFRS standards as adopted by the European Union that must be applied for the first time to this financial year:

- **New standards on consolidation – IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures"**
  IFRS 10 replaces the section of IAS 27 "Consolidated and Separate Financial Statements" that addresses consolidated financial statements and the issues raised by Interpretation SIC-12 on Special Purpose Entities. IFRS 10 establishes a single model for control that applies to all entities, whether or not they are structured entities. Control of an entity must now be analysed on the basis of the three cumulative criteria: power over the relevant activities of the entity, exposure to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of the investor's returns. Judgement must rely on an exhaustive inventory of the facts and an appraisal of the overall situation.

  IFRS 11 replaces IAS 31 "Interests in Joint Ventures". IFRS 11 describes the accounting for a joint arrangement based on the substance of contractual arrangements, particularly on the rights and obligations arising from the arrangement. Interests in joint ventures must be accounted for using the equity method, as the option to apply proportionate consolidation has been eliminated.

  IAS 28 has been amended to comply with the amendments introduced by the release of IFRS 10, 11 and 12. This new version, which has been renamed IAS 28 "Investments in Associates and Joint Ventures", requires the application of the equity method to entities under significant influence or investments in joint ventures in which the entity has joint control.

  Following an analysis of each of the entities in which AFD has an equity interest, using these new criteria and the materiality thresholds of the Group's accounts, it would appear that the application of these new standards has no impact on AFD Group's scope of consolidation and its balance sheet total.

- **A new standard on consolidation, IFRS 12 "Disclosure of Interests in Other Entities"**
  IFRS 12 requires reporting entities to disclose information about the judgements made under IFRS 10, as well as more complete information that allows users to assess (i) the nature of, and risks associated with, its interests in other entities and (ii) the effects of those interests on the entity's financial position, financial performance and cash flows.

  On 3 December 2014, significant additional quantitative and qualitative information was provided on consolidated subsidiaries and on wholly-owned entities not included the scope of consolidation for the purposes of the analysis described above in connection with IFRS 10.

The three following amendments, applicable as of 1 January 2014, had no impact on AFD's financial statements at 31 December 2014:

- **Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"**
  IAS 32 establishes the terms under which financial instruments may be presented as liabilities or equity on a net basis in the balance sheet, namely, when an entity:
  ✓ has a currently enforceable legal right to set off recognised amounts;
  ✓ intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

- **Amendment to IAS 36, "Impairment of Assets"**
  The objective of this amendment is to clarify the scope of disclosure requirements on the recoverable value of non-financial assets.

- **Amendment to IAS 39, "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting"**
  The amendment authorises the continuation of hedging relationships where there is a change in counterparty to a hedging instrument as a result of regulatory changes.

5.4.4 Balance sheet at 31 December 2014

In thousands of euros	Notes	31/12/2014 IFRS	31/12/2013 IFRS
Assets			
Cash, due from central banks		48,069	15,316
Financial assets at fair value through profit and loss	1	142,562	147,844
Hedging derivatives	2	2,163,265	1,089,729
Available-for-sale financial assets	3	1,148,100	944,112
Loans and receivables due from credit institutions	4	6,850,872	6,351,737
Demand		*1,183,078*	*1,018,423*
Term		*5,667,794*	*5,333,314*
Loans and receivables due from customers	4	19,446,296	15,983,965
Commercial receivables		*3,177*	*3,292*
Other loans to customers		*19,443,119*	*15,980,673*
Overdrafts			
Finance lease			
Revaluation differences on interest rate-hedged portfolio		27,749	35,743
Held-to-maturity financial assets	3	714,541	689,382
Current tax assets			
Deferred tax assets		21,967	16,177
Accruals and other miscellaneous assets	5	297,506	63,620
Accruals		*48,866*	*35,726*
Other assets		*248,640*	*27,894*
Equity stakes in companies accounted for by the equity method	18	166,578	160,887
Property, plant and equipment	6	195,432	197,518
Intangible assets	6	19,596	16,530
TOTAL ASSETS		**31,242,533**	**25,712,560**

In thousands of euros	Notes	31/12/2014 IFRS	31/12/2013 IFRS
Liabilities			
Central banks			
Financial liabilities at fair value through profit and loss	1	339,495	47,936
Hedging derivatives	2	1,088,502	527,349
Debts to credit institutions	7	8,074	9,627
Demand		*7,509*	*8,905*
Term		*565*	*722*
Debts to customers	7	1,535	1,541
Of which demand			
Other debts		*1,535*	*1,541*
Of which demand		*1,535*	*1,541*
Of which term			
Debt securities in issue	7	20,585,783	16,422,574
Short-term notes			
Interbank market securities			*693,964*
Bonds		*20,585,783*	*15,728,610*
Deferred tax liabilities		*121*	*121*
Accruals and other miscellaneous liabilities	5	2,315,883	1,931,593
Borrowing from French Treasury		*165,647*	*210,826*
Allocated public funds		*76,097*	*243,843*
Other liabilities		*2,074,139*	*1,476,924*
Provisions	10	724,599	656,926
Subordinated debt	7	3,169,496	3,286,501
Total debts		**28,233,488**	**22,884,168**
Shareholders' equity attributable to the Group	**(Tab1)**	**2,725,443**	**2,590,513**
Provisions and related retained earnings		860,000	860,000
Consolidated retained earnings and other		1,632,546	1,511,922
Gains and losses directly recognised in equity		112,872	67,816
Earnings for the period		120,025	150,775
Minority interests	**(Tab1)**	**283,602**	**237,879**
TOTAL LIABILITIES		**31,242,533**	**25,712,560**

5.4.5 Income statement at 31 December 2014

In thousands Euros	Notes	31/12/2014 IFRS	31/12/2013 IFRS
Interest and similar income	**12**	**1,277,169**	**1,139,674**
Transactions with credit institutions		319,373	269,430
Transactions with customers		500,988	438,390
Bonds and other fixed-income securities		28,321	38,130
Other interest and similar income		428,487	393,724
Interest and similar expenses	**12**	**1,055,271**	**918,792**
Transactions with credit institutions		455,697	373,698
Transactions with customers		32,204	32,528
Bonds and other fixed-income securities		395,710	359,878
Other interest and similar expenses		171,660	152,688
Commissions (income)		**65,833**	**62,629**
Commissions (expenses)		**2,107**	**2,556**
Net gains or losses on financial instruments at fair value through profit or loss	**13**	**-11,812**	**45,459**
Net gains or losses on available-for-sale financial assets	**14**	**22,188**	**24,317**
Income on other activities	**15**	**220,848**	**217,450**
Expenses on other activities		**9,300**	**21,773**
Net banking income		**507,548**	**546,407**
Overhead		**280,889**	**287,140**
Staff costs	*16*	*184,769*	*184,658*
Other administrative expenses		*96,120*	*102,482*
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	**6**	**16,525**	**15,341**
Gross operating income		**210,134**	**243,927**
Cost of risk	**17**	**-68,843**	**-65,870**
Operating income		**141,291**	**178,057**
Share of earnings from companies accounted for by the equity method	**18**	**5,796**	**4,843**
Net gains or losses on other assets		**-1,190**	**990**
Pre-tax income		**145,897**	**183,890**
Corporate tax	**19**	**-13,459**	**-15,653**
Net income from discontinued or discontinuing activities			
NET INCOME		**132,438**	**168,238**
Minority interests		**-12,413**	**-17,463**
NET INCOME - GROUP SHARE		**120,025**	**150,775**

5.4.6 Net income and gains and losses booked directly as equity at 31 December 2014

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Net income	**132,438**	**168,238**
Items that will be subsequently recycled to profit or loss		
Translation differences		
Revaluation of available-for-sale financial assets (net of tax)	54,610	11,578
Items that will not be subsequently recycled to profit or loss		
Actuarial gains and losses on defined benefit liabilities	-14,581	3,541
Total gains and losses booked directly as equity	**40,029**	**15,119**
Net income and gains and losses booked directly as equity	**172,467**	**183,356**
Of which Group share	147,849	154,343
Of which minority interests	24,618	29,013

5.4.7 Cash Flow Statement at 31 December 2014

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Pre-tax income (A)	**133,484**	**166,427**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	16,441	15,341
Impairment of goodwill and other fixed assets	85	
Net allocations to provisions (including insurance technical reserves)	141,967	109,682
Share of earnings from companies accounted for by the equity method	-5,796	-4,843
Net gain/(net loss) on investment activities	-33,199	-10,816
Net gain/(net loss) on financing activities	988	7,271
Other items[1]	12,091	-33,746
Total non-cash items included in net pre-tax income and other items (B)	**132,577**	**82,888**
Cash received from credit institutions and equivalent	-1,693,255	-150,267
Cash received from customers	-2,884,387	-1,689,935
Cash flows from other operations affecting other financial assets or liabilities	4,454,711	2,143,696
Cash flows from operations affecting non-financial assets or liabilities	161,547	159,501
Taxes paid	-19,249	-23,521
= Net increase *(decrease)* in cash related to assets and liabilities generated by operating activities (C)	**19,367**	**439,473**
Net cash flows from operating activities (A + B + C)	**285,428**	**688,788**
Cash flows from financial assets and equity stakes	60,840	-105,267
Cash flows from property, plant and equipment and intangible assets	-14,827	-24,654
Net cash flows from investment activities	**46,013**	**-129,921**
Cash flows to or from shareholders	-42,300	-14,817
Other net cash flows from financing activities	-90,331	127,486
Net cash flows from financing activities	**-132,631**	**112,669**
Net increase (decrease) in cash and cash equivalents	**198,810**	**671,536**
Opening balance of cash and cash equivalents	**1,023,293**	**351,757**
Net balance of cash accounts and accounts with central banks	15,316	11,518
Net balance of term loans and deposits from credit institutions	1,007,977	340,239
Ending balance of cash and cash equivalents	**1,222,103**	**1,023,293**
Net balance of cash accounts and accounts with central banks	48,069	15,316
Net balance of term loans and deposits from credit institutions	1,174,034	1,007,977
Change in cash and cash equivalents	**198,810**	**671,536**

1. Of which value adjustments to balance sheet items.

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

5.4.8 Statement of Changes in Shareholders' Equity from 1 January 2013 to 31 December 2014

In thousands of euros	Funding	Funding reserves	Conso-lidated reserves	Net income	Unrealised or deferred gains or losses	Equity - Group Share	Equity - Minority interests	Total consolidated equity
Equity at 1 January 2013 (IFRS standards)	**400,000**	**460,000**	**1,478,629**	**94,677**	**53,364**	**2,486,670**	**217,409**	**2,704,079**
Share of 2012 earnings retained in reserves			31,990	-31,990		0		0
Dividends paid				-62,687		-62,687	-7,186	-69,873
Other changes			1,303			1,303	-6,853	-5,550
Earnings in 2013				150,775		150,775	17,463	168,238
Gains or losses directly recorded in consolidated equity for 2013[1]					14,452	14,452	17,046	31,498
Equity at 31 December 2013 (IFRS standards)	**400,000**	**460,000**	**1,511,922**	**150,775**	**67,816**	**2,590,513**	**237,879**	**2,828,392**
Impact of changes in accounting policy or error correction (IAS 19R)						0		0
Equity at 1 January 2014 (IFRS standards)	**400,000**	**460,000**	**1,511,922**	**150,775**	**67,816**	**2,590,513**	**237,879**	**2,828,392**
Share of 2013 earnings retained in reserves			113,615	-113,615		0		0
Dividends paid				-37,160		-37,160	-4,359	-41,520
Other changes			7,010			7,010	29,974	36,984
Changes related to put options							-10,618	-10,618
Earnings in 2013				120,025		120,025	12,413	132,438
Gains or losses directly recorded in consolidated equity for 2014[1]					45,056	45,056	18,312	63,368
Equity at 31 December 2014 (IFRS standards)	**400,000**	**460,000**	**1,632,547**	**120,025**	**112,872**	**2,725,443**	**283,602**	**3,009,045**

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

5.4.9 Gains and losses taken directly to equity in 2014

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Items that will be subsequently recycled to profit or loss	128,153	68,516
Items that will not be subsequently recycled to profit or loss	-15,281	-700
Of which actuarial gains and losses on defined benefit liabilities [1]	*-15,281*	*-700*
TOTAL	**112,872**	**67,816**

1. In 2013, the total actuarial gains and losses on defined benefit liabilities was presented as €3.54M. Corrected for the €4.24M loss recorded at 1 January 2013 for 2012, it amounted to €700,000 at 31 December 2013.

5.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.5.1 Highlights

5.5.1.1 *Growth of the balance sheet*

At 31 December 2014, the balance sheet total stood at €31.2bn, up 21% relative to the previous year. This change mainly stems from robust growth in activity, with an increase of 18% in gross outstanding loans over the period.

5.5.1.2 *Financing of the Group's activity*

To finance the growth of its loan activity, AFD made six bond issues on its own behalf in 2014 in the form of a public issue and two private placements for a total volume of €4.8bn.

5.5.1.3 *Subscription to the capital increase for the Investment and Support Fund for Businesses in Africa (Fisea)*

On 26 May 2014, the shareholders of Fisea carried out a capital increase for an amount of €55M, which was fully subscribed by AFD. €40M of the increase was paid up. At 31 December 2014, the fund was wholly owned by AFD, with PROPARCO owning 1 share.

5.5.1.4 *PROPARCO capital increase*

The extraordinary general meeting of 28 May 2014 resolved to increase PROPARCO's capital by capitalising reserves in the amount of €105M, raising its capital from €420M to €525M.

On 27 June 2014, PROPARCO's Board of Directors, as authorised by the extraordinary general meeting of 28 May 2014, increased share capital by issuing new common shares in the amount of €168M, raising share capital to €693M.

At the conclusion of these two capital increases, AFD, which subscribed for its allotment of shares as well as for any shares that were not subscribed for by minority shareholders, held 63.93% of its subsidiary's shares at 31 December 2014, compared to 57.43% at 31 December 2013.

5.5.1.5 *Collective provision allocations*

Collective provision allocations for performing non-sovereign loans to foreign countries impacted the cost of risk in the amount of €40M. This level of provision takes into account the increase in these performing loans for AFD (+16%) and PROPARCO (+19%) and their risk quality. At 31 December 2014, total collective write-downs stood at €349M and the loan loss reserve ratio for these outstandings was steady at 5% overall.

5.5.2 Principles and methods applied to the financial statements at 31 December 2014

The consolidated financial statements for financial year 2014 were approved on 13 April 2015 by the Board of Directors.

5.5.2.1 *Consolidation scope and consolidation methods*

5.5.2.1.1 Consolidation scope

AFD's consolidated financial statements cover all fully-controlled enterprises, joint ventures and companies on which the Institution exerts a significant influence.

The following are not included in the consolidation scope:

✓ companies of no real significance;
✓ foreign companies in which AFD holds a minority interest and does not exercise significant influence due to the companies being either fully or partially state-owned.

- **New consolidation standards IFRS 10-11-12: significant judgements and assumptions used in determining the scope of consolidation**

  The elements used to draw a conclusion on whether AFD exercises control or influence over the entities in which it invests are many. Accordingly, the Group determines its ability to exercise influence over the management of another entity by taking due consideration of the entity's structure, shareholders, arrangements and the participation of AFD and its subsidiaries in decision-making bodies.

  Moreover, materiality with regard to Group accounts is also subject to analysis.

  The application of new standards and the work carried out in 2014 indicate that there is no impact on AFD Group's consolidation scope.

  The list of companies in which AFD directly or indirectly holds an equity interest that exceeds 20% of the company's capital is presented on the following page.

In thousands of euros	Localisation	% control 2013	% control 2014	% interest 2014	Balance sheet total[1]	Total Net income	Contribution to earnings[2]
AFD					**30,942, 789**		**99,430**
Fully consolidated companies							
Soderag	Antilles	100	100	100	8,909		-33
PROPARCO	Paris	57.43	6.93	63.93	4,621,465		22,440
Sogefom - AFD share	Paris	58.69	58.69	58.69	43,301		-294
Sogefom - Socredo share	Paris	3.76	3.76	3.76			
Fisea	Paris	100	100	100	168,895		-7,227
Propasia	Hong Kong	100	100	63,93	7,432		-87
Companies accounted for by the equity method							
- Non-financial companies							
Société Immobilière de Nouvelle Calédonie	New Caledonia	50	50	50	53,425		147
Société Immobilière de la Martinique	Martinique	22.27	22.27	22.27	17,599		2,263
- Financial companies							
Banque Socredo	Polynesia	35	35	35	94,244		3,386
Other equity stakes							
- Foreign public or parapublic stakes							
Société financière algérienne et européenne de participation (Finalep)	Algeria	28.73	28.73	28.73	7,483	-29	
Fonds de garantie des investissements privés en Afrique de l'Ouest (Gari)	Togo	27.01	27.01	27.01	44,324	461	
Banque nationale de développement agricole	Mali	22.67	22.67	22.67	447,305	8,480	
Banque de développement des Seychelles	Seychelles	20.41	20.41	20.41	30,156	491	
Société de gestion et d'exploitation de l'aéroport de Conakry G'Bessia	Guinea	20	20	20	25,893	1,029	
- PROPARCO's foreign interests							
Tunisie Sicar	Tunisia	20	20	20	2,097	486	
Upline Technologies	Morocco	20	20	20	412	9	
BIMR	Djibouti	20	20	20	332,842	4,700	
Averroes Finance	Multi-country	34.25	34.25	34.25	7,846	-315	
Averroes Finance II	Multi-country	50	50	50	10,817	-494	
Central Africa Growth Fund	Multi-country	24.47	24.47	24.47	19,116	1,770	
I&P Capital (Indian Ocean) Ltd	Multi-country	20	20	20	1,341	-66	
Fegace Asia sub fund	Multi-country	20	20	20	14,109	-1,668	
Wadi Holding	Egypt	35.29	35.29	35.29	11,057	-230	
Attijari Bank	Mauritania	20	20	20	109,986	4,102	
Seaf India Agribusiness international Fund	India	32.68	33.36	33.36	9,477	337	
TPS (D) Limited	Tanzania	24.50	20.50	20.50	39,227	562	
Unimed	Tunisia	26	26	26	32,525	5,523	
Acon Latin America Opportunities Fund A	Multi-country	20	20	20	68,141	13,402	
Acon Renewables BV (Hidrotenencias SA)	Panama	24.47	24.47	24.47	124,945	875	
IT Worx (IT Holding)	Egypt	23.87	23.90	23.90	18,517	686	
- French companies whose balance sheet total is not significant							
Retiro Participations – PROPARCO share	Paris	99	100	100	23	N/A	
NET INCOME, GROUP SHARE							**120,025**

1. The balance sheet total indicated corresponds to the balance sheet total before restatement of intra-Group entries.
2. Before elimination of intra-Group operations.

✓Minority interests:

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

In thousand of euros	31/12/2014 IFRS % of control and vote held by minority interests	Share of net earnings	Share of equity
PROPARCO	36.07	12,658	274,800
Other subsidiariess		-245	8,802
TOTAL MINORITY SHARE		**12,413**	**283,602**
TOTAL GROUP SHARE		**120,025**	**2,725,443**

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

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

5.5.2.1.2 Consolidation principles and methods

The following consolidation methods are used:

✓ Full consolidation

This method applies to subsidiaries over which AFD has exclusive control. Such exclusive control is determined by the power to govern the financial and operating policies of the subsidiary. It is evidenced by (i) holding, directly or indirectly, most of the voting power of the subsidiary, (ii) holding the power to appoint or remove members of the executive, administrative or supervisory bodies of the subsidiary or (iii) having significant influence over the subsidiary under the statutes in force.

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

The following five companies are fully consolidated:

- The Société de promotion et de participation pour la coopération économique (PROPARCO), created in 1977.
At 31 December 2014, the company's capital totalled €693M and AFD's stake was 63.93%.

- The Société de Développement Régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.
At 31 December 2014, the company's capital amounted to €5.6M, held entirely by AFD.

- The Société de Gestion des Fonds de Garantie d'Outre-mer (Sogefom), whose shares AFD bought back from the French Overseas reserve banks (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 2014, the company's capital amounted to €1.1M, held entirely by AFD.

- The Fonds d'Investissement et de Soutien aux Entreprises en Afrique (Fisea) was created in April 2009. This simplified joint-stock company with registered capital of €160M is wholly owned by AFD, with PROPARCO owning one 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 2014, 52% of its capital, *i.e.* USD 5.2M, was fully paid up.

✓ Equity method

Companies over which AFD has significant influence are accounted for by the equity method. "Significant influence" means the power to participate in the financial and operating policy decisions of the subsidiary but without having control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes, or (iii) material transactions between the companies. At 31 December 2014, this method was used for three companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which "significant influence" may be proven: Société Immobilière de Nouvelle-Calédonie (SIC), Société Immobilière de la Martinique (Simar) and Socredo.

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

✓ Comments on other companies

AFD also has holdings in a number of companies over whose management it has no significant influence. These companies are not consolidated, either fully or using the equity method. They are recorded under "available-for-sale financial assets".

5.5.2.1.3 Restatement of transactions

Account balances on the balance sheet, transactions and income and expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are drawn up. Gains arising from transactions with equity-accounted entities are eliminated by offsetting equity method investments to the extent of the Group's interest in the entity. Losses are eliminated in the same manner but only when they do not represent an impairment loss.

5.5.2.1.3.1 Accounting principles and policies

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated 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 2014 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 date on which market value was determined. Exchange rate differences relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under "financial assets at fair value through profit and loss" and in equity if the asset is classified under "available-for-sale financial assets".

Use of estimates

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

This is particularly so in the case of:

- ✓individual writedowns on outstanding loans;
- ✓collective writedowns calculated on the basis of a homogeneous portfolio of counterparties determined by quantitative and qualitative analysis (looking at 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 plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever there is objective evidence that an event has occurred after the grant of the loan that may generate a measurable loss having an impact on future projected asset cash flows and, therefore, likely to generate 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 includes equity stakes in the private equity funds over which the Group has significant influence. They are measured 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.

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 offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, e.g. the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted cash flows using a zero-coupon curve.

Finally, the last items to be included under this heading are assets and liabilities designated at fair value through profit and loss and the impacts stemming from credit risk (Credit Valuation Adjustment/Debit Valuation Adjustment).

✓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 assets are recognised at market value plus transaction costs, then at their amortised cost using the effective interest rate method, which includes amortisation of premiums and discounts and may, if applicable, be subject to writedown when a downgrade in the credit rating of the issuer is likely to jeopardise their redemption at maturity. 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 plus transaction costs. The fair value used is the quoted price of the security if traded on an active market or a share of the discounted underlying net assets if no active market exists. Changes in fair value are recorded directly in equity.

Where there is objective evidence of lasting impairment for an available-for-sale financial asset, the aggregate loss that was recognised directly in equity is recycled from equity and recognised in income.

✓Debt

Debt securities in issue are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method.

✓Hedging derivatives

AFD uses fair value hedge accounting as described in IAS 39. This involves a hedge of the exposure to changes in fair value of an asset or liability recognised on the balance sheet. Changes in the fair value stemming from the hedged risk are recorded in the income statement under "Net gains and losses on financial instruments at fair value through profit and loss", alongside the change in the fair value of the hedging instruments.

Interest-rate swaps and cross-currency swaps (fixed and variable rates) are used by AFD to shield it from interest- and exchange-rate risk.

Hedge accounting is applicable if the effectiveness of the hedging relationship is proven and if the correlation between the effective changes in value of the item hedged and the hedging instrument is between 80% and 125%.

The revaluation of the hedged item is booked either in accordance with the classification of the hedged item, in the case of a hedging relationship covering an identified asset or liability, or under "revaluation differences on interest-rate hedged portfolios" in the case of a portfolio hedging relationship.

If the hedge 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 made commitments to buy back the interests of the minority shareholders in PROPARCO, a fully-consolidated subsidiary. The present value of the commitment, determined on the basis of the estimated value of the share, the likelihood of exercising options and the discounted cash flow, stood at €260M on 31 December 2014. The options may be exercised by minority shareholders for a period of 5 years (until 2018) following a lock-in period of 5 years, which ended in 2013.

Following the PROPARCO issue of share capital in June 2014, the Group made further commitments to buy back the interests of the minority shareholders in the amount of €40M, bringing the total present value of the commitment to €300M at 31 December 2014. The second window for minority shareholders to exercise their options will open for a period of 5 years beginning in 2019.

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

These optional buy-back commitments received the following accounting treatment in 2014:

- ✓ in application of IAS 32, the Group recorded a debt for put options awarded to shareholders. This liability of €82.5M was initially booked at the present value of the strike price estimated on the exercise date, classified in "Other liabilities";
- ✓ consequently, the corresponding entry for this liability is deducted from "minority interests" in the amount of €82.0M, *i.e.* a proportionate share of PROPARCO's underlying net assets valued at 31 December 2014, with the remainder deducted from «Consolidated reserves, Group share», *i.e.* €0.5M;
- ✓ if the buyback is carried out, the liability will be settled by cash payment linked to the acquisition of minority interests. However if the buyback has not occurred when the commitment reaches its term, the liability is offset 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 building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- ✓ office buildings in the French Overseas Departments and Collectivities are depreciated over 15 years;
- ✓ residential buildings are depreciated over 15 years;
- ✓ fixtures, fittings and furnishings are depreciated over 5 or 10 years;
- ✓ equipment and vehicles over 2 to 5 years.

As for intangible assets, software is amortised according to its type: no more than 5 years for enterprise resource planning systems and two years for office automation tools.

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

Provisions

Provisions are recorded if it is likely that an outflow of resources representative of economic benefits is necessary to meet an obligation due to past events and if the amount of the obligation can be reliably estimated.

- ✓ Provisions for sovereign outstandings

The agreement "on recording provisions for sovereign loans[22] 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 pooled provisions to be made, to which the French State will subsequently contribute.

These provisions are not based on a credit risk analysis but instead reflect AFD's commitment to pay the State an amount equivalent to these provisions as a result of transactions involving debt. Net reversals of provisions and payments to the State are recorded in Net Banking Income.

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

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

✓Provision for employee benefits
Post-employment benefits

➢ ***Defined benefit plans***

✓ Retirement and early retirement commitments
Immediate retirement and early retirement commitments are all transferred to an external insurance company.
Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

The assumptions used for the valuations are as follows:
- Discount rate: 1.25%;
- Retirement age: 62 for non-executive level employees and 64 years for executive level employees;
- Annual increase in salary: 2%.

✓ Retirement bonuses and the financing of the health insurance plan
AFD pays retirement bonuses ("IFC") to its employees. It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:
- Discount rate: 2%;
- Annual increase in salary: 2%;
- Retirement age: 62 for non-executive level employees and 64 for executive level employees;
- Actuarial tables: TGH 05 (men)/TGF 05 (women).

In accordance with IAS 19, these commitments (retirement bonuses and the financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method.

At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

In compliance with IAS 19 (Revised), actuarial gains and losses are recognised in other comprehensive income (OCI).

Therefore, equalisation provisions on 31 December 2014:
- amount to €4.1M in the income statement and are recognised as staff costs. They represent the sum of the cost of services rendered plus the interest cost for 2014 less benefits paid by the employer over the period;
- appear on the balance sheet as items that cannot be recycled to profit or loss and amount to a loss of €14.6M arising from the measurement of commitments as at 31 December 2014 and are recognised as equity.

➢ ***Other long-term benefits***

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2014 in the amount of €112M.
The aggregate impacts on the 2013 and 2014 reporting years are set out in the table below:

In thousand of euros	31/12/2014	Change in the impact on income	Change in the impact on equity	31/12/2013	Change in the impact on income	Change in the impact on equity	01/01/2013
Provisions for employee benefits	90,421	4,199	14,581	71,641	4,633	-3,540	70,548

The changes in commitments over 2014 are shown in the table below:

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand Total
Change in the present value of the commitment						
Present value of the commitment at 1 January	**93,745**	**62,024**	**12,782**	**168,551**	**743**	**169,293**
Financial cost	2,831	2,254	425		27	
Cost of services rendered over the year	617	2,378	833		78	
Reductions/Liquidations	0	0	0		0	
Services paid	-11,576	-1,718	-603		-46	
Actuarial gains (losses)	-2,578	20,776	981		53	
Present value of the commitment at 31 December	**83,038**	**85,714**	**14,419**	**183,170**	**854**	**184,024**

The table continues on page 85

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand Total
Change in the fair value of retirement plan assets						
Fair value of assets at 1 January	**97,652**			**97,652**		**97,652**
Expected return on assets	2,930					
Services paid	-11,576					
Actuarial gains (losses)	4,598					
Liquidations	0					
Fair value of assets at 31 December	**93,604**			**93,604**		**93,604**
Corridor limits						
Actuarial gains (losses) not recognised at 1 January	0	0	0	0	0	0
Corridor limits at 1 January						
Actuarial gains (losses) generated over the year	7,176	-20,776	-981	-14,581	-53	-14,634
Actuarial gains (losses) recognised in profit or loss	0	0	0	0	53	53
Actuarial gains (losses) recognised in equity in the previous period	0	0	0	0	0	0
Actuarial gains (losses) recognised in equity in the previous period	-7,176	20,776	981	14,581	0	14,581
Actuarial gains (losses) not recognised at 31 December	**0**	**0**	**0**	**0**	**0**	**0**
Amounts recognised on the balance sheet at 31 December						
Present value of the funded obligation	**83,038**					
Present value of unfunded obligation		85,714	14,419	**100,133**	854	**100,987**
Net position	-10,566			**-10,566**		**-10,566**
Unrecognised actuarial gains (losses)	0	0	0		0	
Balance sheet provision	**-10,566**	**85,714**	**14,419**	**89,566**	**854**	**90,421**
Amounts recognised on the income statement at 31 December						
Cost of services rendered in 2014	617	2,378	833	3,827	78	3,905
Financial cost in 2014	2,831	2,254	425	5,510	27	5,537
Recognised actuarial gains (losses)	0	0	0	0	53	53
Expected return on retirement plan assets	-2,930			-2,930		-2,930
Cost of services rendered						
Impact of reductions/liquidations						
Expenses booked	**518**	**4,632**	**1,258**	**6,408**	**158**	**6,566**
Reconciliation of opening and closing net liability						
Liability at 1 January	**-3,908**	**62,024**	**12,782**	**70,898**	**743**	**71,641**
Expenses booked	518	4,632	1,258	6,408	158	6,566
Contributions paid	0			0		0
Employer contributions	0	-1,718	-603	-2,321	-46	-2,367
Items that will not be subsequently recycled to profit or loss	-7,176	20,776	981	14,581	0	14,581
Net liabilities at 31 December	**-10,566**	**85,714**	**14,419**	**89,566**	**854**	**90,421**
Change in net liabilities	**-6,659**	**23,690**	**1 637**	**18,668**	**112**	**18,780**

Projected commitments at 31 December 2014 are as follows:

Actuarial debt at 31 December 2014	**83,038**	**85,714**	**14,419**	**183,170**	**854**	**184,024**
Cost of services rendered in 2015	459	3,793	1,012	5,264	96	5,360
Financial cost in 2015	1,044	1,790	277	3,111	18	3,129
Services payable in 2015/transfer of capital upon departures in 2015	-25,158	-1,708	-1,798	-28,663	-80	-28,743
Estimated debt at 31 December 2015	**59,383**	**89,589**	**13,910**	**162,882**	**888**	**163,771**

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.

✓ 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 principal plus unpaid interest and interest not yet due) and the sum of projected future cash flows discounted at the effective interest rate at loan origination. 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" whose amounts and any changes are determined based on qualitative and quantitative analyses (see Paragraph 2.2.2 - *Use of estimates*). At 31 December 2014, the portfolio is presented with a different segmentation based on three sectors: public goods and services, financial sector and private goods and services.

Note that PROPARCO has only one financial portfolio and three "corporate" portfolios (energy, transport and agribusiness). Residual outstandings were written down based on estimated residual loss for asset classes determined by borrower type and country category.

In light of the events at the end of 2010, AFD and PROPARCO booked specific collective writedowns and provisions due to political instability in the Mediterranean Basin. These provisions were fully reversed in AFD's financial statements of 31 December 2013 and in PROPARCO's financial statements of 30 June 2014.

Furthermore, a provision for liabilities was recognised due to the economic crisis and events in Côte d'Ivoire. This provision stood at €4.4M at 31 December 2014 compared to €9.2M at the end of 2013, *i.e.* a provision of €4.8M for 2014.

Subordinated debt

In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

At 31 December 2014, subordinated debt amounted to €3.1bn, of which €2.6bn is towards the Treasury.

Deferred taxes

To produce the consolidated financial statements, deferred tax was calculated on a per-company basis while adhering to the rule of symmetry and using the comprehensive liability method. This method was applied to temporary differences between the carrying amount of assets and liabilities and their tax base.

Segment reporting

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

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

Cash flow statement principles

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

AFD's cash flow statement is presented in accordance with ANC Recommendation 2013-04 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with 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.

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

5.5.2.1.3.2 Notes to the financial statement at 31 December 2014

A – Notes to the Balance Sheet

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

In thousands of euros	31/12/2014 IFRS			31/12/2013 IFRS		
	Assets	Liabilities	Notional/ outstanding	Assets	Liabilities	Notional/ outstanding
Interest rate derivatives	4,873	26,938	1,475,937	546	18,133	1,603,982
Foreign exchange derivatives	95,999	305,925	3,913,404	111,960	22,199	2,817,420
Assets/liabilities designated at fair value through P&L	23,702		25,000	20,627		25,000
Securities at fair value through P&L	17,721		8,216	14,711		11,051
CVA/DVA	267	6,632			7,604	
TOTAL	**142,562**	**339,495**		**147,844**	**47,936**	

Note 2 - Financial hedging derivatives

In thousands of euros	31/12/2014 IFRS			31/12/2013 IFRS		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1,515,828	663,630	19,629,179	648,783	335,879	16,285,850
Interest rate and foreign exchange derivatives (cross-currency swaps)	647,437	424,871	7,894,212	440,946	191,470	6,556,464
TOTAL	**2,163,265**	**1,088,502**		**1,089,729**	**527,349**	

Note 3 – Financial investments

In thousands of euros	Notes	31/12/2014 IFRS	31/12/2013 IFRS
Available-for-sale financial assets			
Government paper and equivalent		214,627	117,430
Bonds and other fixed-income securities		10,318	10,320
Equity stakes in related businesses			
Equity stakes and other long-term securities	3.1	957,774	838,479
Of which UCITS		*48,339*	*45,145*
Subtotal		**1,182,720**	**966,228**
Impairment		-34,620	-22,117
Total available-for-sale financial assets		**1,148,100**	**944,112**
Held-to-maturity financial assets			
Government paper and equivalent		594,146	583,569
Bonds and other fixed-income securities		120,395	105,813
Subtotal		**714,541**	**689,382**
Impairment			
Total held-to-maturity financial assets		**714,541**	**689,382**
TOTAL FINANCIAL INVESTMENTS		**1,862,641**	**1,633,494**

AFD Group's role is to encourage private investment in developing countries, mainly *via* its PROPARCO and Fisea (Investment and Support Fund for Businesses in Africa) subsidiaries. It acts primarily through investments in investment funds, as this activity enables it to increase the impact of its funding by supporting a large number of companies doing business in multiple sectors, thus promoting economic growth and the creation of job-creating businesses.

The funds in which AFD invests have varying characteristics: they may cover a single country or a larger region, they may be multi-sector or not, or may be dedicated to private equity, leveraged buyouts or growth capital.

This activity is described in detail in the following notes as information required by IFRS 12 on interests in unconsolidated structured entities. Interests refer to involvement that exposes the Group to variability of returns from the performance of these other entities.

The amounts presented include approved financing as well as financing commitments that have not yet been disbursed.

Note 3.1 – Equity stakes and other long-term investments

In thousands of euros	Notes	31/12/2014 IFRS	Notes	Available-for-sale financial assets	Financial assets at fair value through profit and loss
Equity stakes and other long-term securities					
UCITS		48,339		48,339	
Equity stakes		892,536		874,815	17,721
Direct investments		*399,145*		*398,886*	*259*
Investment funds	3.2/3.3	*493,391*		*475,929*	*17,462*
Net total equity stakes and other long-term investments		**940,875**		**923,154**	**17,721**
Of which impairment		-34,620		-34,620	
Total equity stakes and other long-term investments gross of impairments		**975,495**	3/1	**957,774**	**17,721**

Note 3.2 – Investments in unconsolidated structured entities

➢ ***Breakdown by activity portfolio***

Equity stakes held in investment funds	Notes	Number of investments	31/12/2014 IFRS
Homogeneous activity portfolios			
Agribusiness		6	56,828
Energy		2	13,010
Infrastructure		2	29,180
Mining		3	4,891
Multi-sector SME-SMI		5	28,993
Healthcare		1	7,707
Financial services		12	94,575
Multi-sector		49	258,206
Structured unconsolidated entities	3.3	**80**	**493,391**

Breakdown by operating region

Equity stakes held in Investment Funds	Notes	Number of investments	31/12/2014 IFRS
Operating region			
Southern Africa		6	12,239
East Africa		2	7,510
West Africa		3	16,190
North Africa		21	115,975
Asia		12	61,476
Caribbean and Central America		3	32,132
Multi-region		12	107,055
Multi-region Africa		17	136,100
Indian Ocean		4	4,715
Structured unconsolidated entities	3.3	**80**	**493,391**

Note 3.3 – Investments in unconsolidated structured entities. Risk exposure and dividends collected

	31/12/2014 IFRS				
In thousands of euros	Notes	Available-for-sale financial assets	Financial assets at fair value through profit and loss	Maximum exposure	Dividends received over the year
Homogeneous portfolios					
Agribusiness		56,828		56,828	
Energy		13,010		13,010	
Infrastructure		29,180		29,180	
Mining		4,803	89	4,891	
Multi-sector SME-SMI		28,993		28,993	
Healthcare		7,707		7,707	
Financial services		94,575		94,575	1,330
Multi-sector		240,833	17,373	258,206	434
Structured unconsolidated entities - Investment funds	3.1/3.2	**475,929**	**17,462**	**493,391**	**1,764**
Classification of unconsolidated investment funds in the balance sheet					
Under available-for-sale financial assets	3.1	475,929			
Other items		672,171			
Balance sheet total - Available-for-sale financial assets	3	**1,148,100**			
Under financial assets at fair value through profit and loss	3.1		17,462		
Other items			125,100		
Balance sheet total - Financial assets at fair value through profit and loss	1		**142,562**		

Bearing in mind the type of interests, maximum exposure to loss is defined in this note as the fair value of the investment fund presented on the balance sheet as of the closing date. This amount includes financing commitments that have not yet been disbursed.

Furthermore, the Group has not and does not offer financial support or other assistance to an unconsolidated structured entity outside of contractual commitments.

AFD Group does not act as a sponsor for structured entities. Sponsorship is assumed when AFD does not have or no longer has an ownership interest in an entity yet still provides this entity with both operational and strategic support.

Note 4 – Receivables due from credit institutions and customers

In thousands of euros	31/12/2014 IFRS		31/12/2013 IFRS	
	Demand	Term	Demand	Term
Loans to credit institutions		**4,598,119**		**4,343,010**
Performing loans		4,587,105		4,339,289
Impaired loans		11,014		3,721
Writedowns		**-92,080**		**-65,987**
Impairment of individual receivables		-6,962		-446
Impairment of groups of homogeneous assets		-85,118		-65,542
Related receivables		***27,466***		***24,476***
Valuation adjustments of loans hedged by forward financial instruments		**3,569**		**-5,141**
Subtotal		**4,537,074**		**4,296,358**
Loans to customers		**19,308,078**		**16,297,663**
Performing loans		18,714,847		15,783,424
Impaired loans		593,231		514,239
Writedowns		**-581,745**		**-535,164**
Impairment of individual receivables		-317,896		-291,356
Impairment of groups of homogeneous assets		-263,849		-243,808
Related receivables		***60,071***		***55,974***
Valuation adjustments of loans hedged by forward financial instruments		**659,892**		**165,493**
Subtotal		**19,446,296**		**15,983,966**
TOTAL LOANS		**23,983,370**		**20,280,324**
Other receivables				
Deposits (available cash) at credit institutions	1,179,748	1,130,701	1,016,163	1,036,656
Related receivables	3,330	19	2,260	299
TOTAL OTHER RECEIVABLES	**1,183,078**	**1,130,720**	**1,018,423**	**1,036,955**
TOTAL LOANS AND OTHER RECEIVABLES	**1,183,078**	**25,114,090**	**1,018,423**	**21,317,279**

The fair value of guarantees used to calculate individual writedowns totalled €19.4M (€13.7M at 31 December 2013).

Note 5 – Accruals and miscellaneous assets

In thousands of euros	31/12/2014 IFRS		31/12/2013 IFRS	
	Assets	Liabilities	Assets	Liabilities
French Treasury		165,647		210,826
Allocated public funds		76,097		243,843
Other assets and liabilities	297,506	1,785,682	63,620	1,162,754
Accounts payable, French State		288,457		314,170
TOTAL ACCRUALS AND MISCELLANEOUS ASSETS/LIABILITIES	**297,506**	**2,315,883**	**63,620**	**1,931,593**

Note 6 – Property, plant and equipment and intangible assets

In thousands of euros	Fixed assets				TOTAL IFRS	TOTAL IFRS
	Property, plant and equipment			Intangible		
	Land and development	Buildings and development	Other		31/12/2014 IFRS	31/12/2013 IFRS
Gross value						
At 1 January 2014	87,261	190,102	55,661	53,498	386,522	385,539
Acquisitions	112	5,946	3,572	9,528	19,158	25,951
Disposals/retirements	0	-37	-4,245	-9,105	-13,387	-24,968
Other items	345	-399	57	-3	0	0
Change in scope						
At 31 December 2014	**87,718**	**195,612**	**55,045**	**53,918**	**392,293**	**386,522**
Depreciation/amortisation						
At 1 January 2014	2,245	91,825	41,436	36,968	172,474	181,061
Provisions	106	6,671	4,493	5,170	16,440	15,343
Reversals	0	-38	-3,880	-7,816	-11,734	-23,930
Other items						
Whritedows			85		85	0
At 31 December 2014	**2,351**	**98,458**	**42,049**	**34,322**	**177,180**	**172,474**
NET VALUE	**85,367**	**97,154**	**12,996**	**19,596**	**215,028**	**214,048**

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

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Debts to credit institutions		
Demand debt	7,509	8,896
Term debt	543	722
Related debt	22	9
Total debts to credit institutions	**8,074**	**9,627**
Debts to customers		
Accounts payable, customers	1,534	1,540
Related debt	1	1
Total debt to customers	**1,535**	**1,541**
Debt securities in issue		
Interbank market securities	0	693,718
Bonds	18,969,846	15,149,589
Related debt	273,400	235,619
Valuation adjustments of debt securities in issue hedged by derivatives	1,342,537	343,648
Total debt securities in issue	**20,585,783**	**16,422,574**
Subordinated debt		
Subordinated loans from the French Treasury	2,625,157	2,415,574
Other subordinated debt	499,866	799,780
Related debt	11,363	21,001
Valuation adjustments of debt securities in issue hedged by derivatives	33,110	50,146
TOTAL SUBORDINATED DEBT	**3,169,496**	**3,286,501**

In thousands of euros	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31/12/2014 IFRS
Maturity of debt securities in issue					
Bonds	1,001,750	1,365,294	8,417,319	9,801,419	20,585,783
Interbank market securities					
TOTAL	**1,001,750**	**1,365,294**	**8,417,319**	**9,801,419**	**20,585,783**

In thousands of euros	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31/12/2013 IFRS
Maturity of debt securities in issue					
Bonds		1,441,188	7,728,021	6,559,401	15,728,610
Interbank market securities	673,962	20,001			693,963
TOTAL	**673,962**	**1,461,189**	**7,728,021**	**6,559,401**	**16,422,574**

In thousands of euros	EUR	USD	JPY	CHF	THB	CFA	31/12/2014 IFRS
Debt securities in issue							
Bonds	15,647,163	3,916,805	553,688	391,387	45,067	31,673	20,585,783
Interbank market securities							
TOTAL	**15,647,163**	**3,916,805**	**553,688**	**391,387**	**45,067**	**31,673**	**20,585,783**

In thousands of euros	EUR	USD	JPY	CHF	THB	CFA	31/12/2013 IFRS
Debt securities in issue							
Bonds	11,430,663	3,273,093	615,779	336,646	40,844	31,586	15,728,610
Interbank market securities	693,963						693,963
TOTAL	**12,124,626**	**3,273,093**	**615,779**	**336,646**	**40,844**	**31,586**	**16,422,574**

Note 8 – Financial assets and liabilities valued at amortised cost

The fair value of a financial asset or liability is the quoted 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 based on the current market value of a comparable instrument or by discounting the future cash flows (level 2). Level 3 includes instruments for which measurement relies on non-observable market data.

The elements shown as level 3 of this note should be interpreted with caution. In particular, special attention should be paid to the fact that the loans granted by AFD Group are not quoted on a reference market. Furthermore, AFD assigns characteristics to its loans (bonus point system) and very specific credit risk (geographical location, counterparty type and creditworthiness). As a result, the fair value of these loans was measured by discounting future cash flows and incorporates non-observable data (such as counterparty credit risk) measured via estimates and based on AFD's judgement.

	31/12/2014 IFRS					31/12/2013 IFRS				
In thousands of euros	Book value	Fair value	Level 1	Level 2	Level 3	Book value	Fair value	Level 1	Level 2	Level 3
Assets/Liabilities										
Loans and receivables	26,297,168	27,128,429			27,128,429	22,335,702	22,591,635			22,591,635
Held-to-maturity investments	714,541	813,377	813,377			689,382	745,064	745,064		
Financial liabilities valued at amortised cost	23,930,535	24,393,552	20,507,086	3,886,466		19,931,069	20,596,906	15,423,181	5,173,725	

Note 9 – Financial assets and liabilities measured at fair value

In thousands of euros	31/12/2014 IFRS				31/12/2013 IFRS			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Financial assets at fair value through profit and loss		147,844	915	142,562		147,844		147,844
Hedging derivatives (assets)		2,163,265		2,163,265		1,089,729		1,089,729
Available-for-sale financial assets	151,372	42,696	954,032	1,148,100	178,374	765,738		944,112
Financial assets at fair value through profit and loss		338,377	1,118	339,495		47,936		47,936
Hedging derivatives (liabilities)		1,088,502		1,088,502		527,349		527,349

Equity interests whose fair value is measured based on net assets were previously classified as level 2, *i.e.* €739M on 31 December 2013. As, according to IFRS 13, this data was not based on observable market information, this portfolio was classified as level 3 on 31 December 2014.

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

Note 10 – Provisions and writedowns

Provisions	31/12/2013	Provisions	Reversals available	Translation adjustment	31/12/2014
Included in the cost of risk					
French Overseas Department subsidiary risks	30,388	165	937		29,616
Other provisions for risk	35,694	6,208	5,423	1,300	37,779
Subtotal	*66,082*	*6,373*	*6,360*	*1,300*	*67,396*
Excluded from the cost of risk					
Provision for expenses sovereign loans	497,487	49,919			547,406
Staff costs	77,472	19,272	3,974		92,770
Provision for risks and expenses	15,885	1,159	17		17,027
TOTAL	**656,926**	**76,724**	**10,351**	**1,300**	**724,599**

Asset impairment	31/12/2013	Provisions	Reversals available	Translation adjustment	31/12/2014
Banks	446	6,473	10	53	6,962
Credit to customers	291,355	49,930	25,886	2,497	317,896
Of which Cost of risk		*47,211*	*18,586*		
Other receivables	1,453				1,453
Group of homogeneous assets	309,350	66,358	26,741		348,967
Of which Cost of risk		*66,358*	*26,741*		
Available-for-sale financial assets	22,117	0	123		21,994
TOTAL	**624,721**	**122,761**	**52,760**	**2,550**	**697,271**

Note 11 – Statement of changes in equity

Changes in equity are presented in the financial statements in the statement of changes in shareholders' equity from 31 December 2013 to 31 December 2014.

B - Notes to the Income Statement

Note 12 – Income and expenses by accounting category

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Interest income	**1,277,169**	**1,139,674**
Cash and demand accounts with central banks	6,036	4,433
Available-for-sale financial assets	25,564	26,877
Loans and receivables	587,008	542,061
Held-to-maturity investments	14,084	12,204
Derivatives	644,477	554,099
Interest expenses	**1,055,271**	**918,792**
Central bank deposits	0	2,666
Financial liabilities valued at amortised cost	429,951	392,409
Derivatives	625,320	523,717
Dividend income (on available-for-sale assets)	**11,152**	**12,401**
Fee and commission income	**65,833**	**62,629**
Fee and commission expenses	**2,107**	**2,556**
Net profit (loss) on financial assets and liabilities not measured at fair value through profit and loss	**14,353**	**11,917**
Available-for-sale financial assets (net income on disposal)	14,353	11,917
Net profit (loss) on financial assets and liabilities measured at fair value through profit and loss	**-24,156**	**16,557**
Net profit (loss) resulting from hedge accounting	**12,345**	**28,901**
Translation adjustment	**-1,928**	**-10,700**
Net profit (loss) on retirement of assets not available for sale	**-1,190**	**990**
Cost of risk	**-68,843**	**-65,870**
Other operating income	**219,459**	**217,450**
Other operating expenses	**9,300**	**11,074**
Total financial and operating income and expenses	**437,515**	**481,527**
Administrative expenses[1]	280,889	287,139
Depreciation/amortisation	16,525	15,341
Share of earnings from companies accounted for by the equity method	5,796	4,843
Pre-tax income	**145,897**	**183,890**

1. At 31 December 2013, administrative expenses were impacted by €8.79M as a result of an external fraud to which AFD fell victim in August 2013.

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

	31/12/2014 IFRS			31/12/2013 IFRS		
In thousands of euros	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency
Financial assets and liabilities at fair value through profit and loss	-2,192	-4,912	-7,103	-4,083	4,672	589
Instruments designated at fair value through profit and loss	2,293		2,293	2,507		2,507
Income resulting from hedge accounting	12,345		12,345	28,901		28,901
Natural hedging	-298,266	277,682	-20,586	145,772	-124,705	21,067
CVA/DVA	1,239		1,239	-7,605		-7,605
TOTAL	**-284,581**	**272,770**	**-11,812**	**165,492**	**-120,033**	**45,459**

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

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Income on securities	11,152	12,401
Capital gains	34,631	13,282
Capital losses	-6,566	-6,133
Provisions for depreciation/amortisation	-22,271	-4,046
Reversal of provisions for depreciation/amortisation	5,242	8,813
TOTAL	**22,188**	**24,317**

Note 15 – Income from other activities

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Subsidies	204,441	202,875
Other income	16,407	14,575
TOTAL	**220,848**	**217,450**

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 costs

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Staff costs		
Wages and bonuses	126,426	122,879
Social security expenses	53,497	51,988
Profit sharing	6,604	8,660
Taxes and similar payments on remuneration	12,392	12,304
Provisions/reversal of provisions	718	3,848
Rebilling bank staff	-14,868	-15,022
TOTAL	**184,769**	**184,658**

Note 17 – Cost of risk

	31/12/2014 IFRS			31/12/2013 IFRS
In thousands of euros	Provisions	Reversals	Total	
Collective provisions and impairment	72,731	33,101	-39,631	-76,376
Individual impairment of non-sovereign loans	47,211	18,586	-28,625	14,740
Losses on principal of bad loans	598	10	-588	-4,233
TOTAL	**120,540**	**51,697**	**-68,843**	**-65,870**

Note 18 – Equity-accounted companies

In thousands of euros	31/12/2014 IFRS		31/12/2013 IFRS	
Impacts	Balance Sheet	Income	Balance Sheet	Income
SIC	54,080	147	54,038	472
Simar	17,828	2,263	15,565	1,831
Socredo	94,670	3,386	91,284	2,540
TOTAL	**166,578**	**5,796**	**160,887**	**4,843**

Note 19 – Corporate income tax

Only income from property, profits from representing mainland credit institutions in the French Overseas Collectivities and AFD's refinancing activity involving its PROPARCO subsidiary are subject to corporate income tax at AFD. PROPARCO is subject to the standard tax regime. Corporate income tax applies only to a portion of Soderag's activity.

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Corporate tax	**-13,459**	**-15,653**
Taxes due	-19,249	-17,087
Deferred tax	5,790	1,434

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Net income	**132,438**	**168,238**
Corporate tax	-13,459	-15,653
Pre-tax income	**145,897**	**183,890**
Total theoretical tax expense 34.43% (A)	**-48,225**	**-61,605**
Total matching items (B)	**34,765**	**45,953**
Net recorded tax expenses (A) + (B)	**-13,459**	**-15,653**

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 the 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).

Credit risk

AFD Group's credit risk monitoring system is the responsibility of the Group Risk Management Departement (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 and writedowns);
- ✓ approve and monitor the classification of country risk for the Group and determine the collective provisions made for performing homogeneous portfolios;
- ✓ monitor investments on the watch list in coordination with the Operations Department and the Legal Department.

Risks in foreign countries

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

- ✓ cancelled loans (remission of debts decided on by the French State: 1979 Cnuced, 1989 Dakar 1, 1994 Dakar 2);
- ✓ loans guaranteed by the French State: these mostly involve General Budget Support.

In the area of loans exposing the Group to risk, we distinguish:

- ✓sovereign loans issued to, or guaranteed by, a foreign country. This type of loan 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 country. 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 pose. A centralised, 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. Impaired receivables also include those loans classified 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 methods for calculating provisions are determined based on agreements signed with the French State, the terms of which were reviewed as of 1 July 2009;
- ✓for **non-sovereign loans**, since 2008 the system has been based on booking collective provisions for defined "homogeneous portfolios" identified based on sectoral criteria. Provisions are based on the estimated residual loss, which takes into account the credit rating and the country risk. If need be, it is supplemented by an expert geographical and or sectoral estimate. These rates are applied to outstanding loans as well as to the guarantees provided. Additional provisions recognised due to the special set of circumstances recently seen in the Mediterranean were completely reversed in AFD's financial statements in 2013 and in PROPARCO's financial statements in 2014.

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 are also linked 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 *via* equity investments, participatory loans, bank refinancing and direct funding.

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;
- ✓the activities of guarantee funds (Ariz) and investment funds (Fisea) are subject to level 1 monitoring by the operating entities. The business model of Ariz and Sogeform 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 Antilles-French Guiana subsidiaries, hedging of Soderag's net position and ongoing legal proceedings) are covered by provisions whose amount is regularly readjusted;
- ✓AFD manages Sogefom within the framework of a regulated agreement and therefore monitors its risks.

In total, the gross value of consolidated outstandings exposing the Group to risk amounted to €23.4bn in 2014 (versus €19.5bn in 2013), including €19.3bn in foreign countries and €4.0bn in the French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€19.9bn, *i.e.* 85% of outstandings).

AFD Group's doubtful outstandings totalled €550M at 31 December 2014 (*versus* €511M in 2013), including €86M in doubtful sovereign and €464M in doubtful non-sovereign outstandings.
Doubtful non-sovereign outstandings are covered by writedowns and provisions in the amount of €244M, equal to a coverage ratio of 53%.

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

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Sovereign loans	**9,942**	**8,103**
Non-sovereign loans	**12,065**	**10,611**
Rated A (very good risk)	948	686
Rated B (good to average risk)	4,824	4,659
Rated C+ (passable risk)	3,932	3,606
Rated C- (significant risk)	2,080	1,506
Note rated	282	155

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

✓ Maximum exposure to credit risk

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

	31/12/2014 IFRS	31/12/2013 IFRS
In thousands of euros	Book value	Book value
Financial assets at fair value through profit and loss	142,562	147,844
Hedging derivatives	2,163,265	1,089,729
Available-for-sale financial assets	1,148,100	944,112
Loans and receivables	26,297,168	22,335,702
Held-to-maturity financial assets	714,541	689,382
Other financial assets		
Firm lending commitments	8,714,603	7,753,853
Financial guarantees	621,275	822,247
TOTAL	**39,801,514**	**33,782,869**

✓ Age of arrears

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

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Less than 90 days	19,780	34,173
More than 90 days and less than 180 days	188	1,288
More than 180 days and less than 1 year	2,631	9,450
More than 1 year	280,926	231,048

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 disclosure requirements.

Short-term liquidity risk prevention relies on a series of certificates of deposit amounting to €2bn. The portfolio of long-term investment securities (€0.8bn) also recognises a liquidity reserve that can be mobilised through market repurchase agreements, of which more than 98% is eligible for ECB repurchase agreements.

Operating cash flow is maintained at all times at a level equivalent to three months of activity.
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 2014, analysed based on undiscounted contractual cash flows.

In thousands of euros

Contractual term to maturity	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total cash flow	Book value
Liabilities						
Financial liabilities at fair value through profit and loss	3,517	7,390	53,351	275,237	**339,495**	**339,495**
Hedging derivatives (liabilities)	0	1,777	78,975	1,007,750	**1,088,502**	**1,088,502**
Financial liabilities valued at amortised cost	1,011 4 70	1,381,322	8,596,139	9,772,106	**20,761,039**	**20,761,039**

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 financial 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 2014, the impact of a 100 bp rise in interest rates on projected 2015 earnings was estimated at €12.8M (+€12.9 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 €3.1M (€3.1M for a 10% decline), the sensitivity of exchange rates being mainly attributable to the US dollar.

Note that AFD Group adheres to an internal limit approved by the Board of Directors on 30 April 2014: exposure per currency may not exceed 1% of the three-month average of regulatory capital, with the understanding that overall exposure must remain below 2% of this same amount of capital. This internal policy keeps foreign exchange risk to a minimum (excluding ownership interests, provisions and past due amounts).

Counterparty risks

Counterparty risk is the threat of a counterparty defaulting on interest-rate and currency swaps entered into as part of debt and cash flow management (repurchase agreements), or on short-term or portfolio investments.

The counterparty risk exposure of financial instruments is managed through counterparty indicators and regularly updated limits.

The highest authorised risk exposure to a counterparty is 10% of AFD's benchmark consolidated equity, *i.e.* €495M since September 2014 based on benchmark equity of €4.95bn. Specific rules also govern the operation of the various portfolios. These limits were adhered to throughout 2014.

Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2014.

D - Additional Information

Commitments

In thousands of euros	31/12/2014 IFRS	31/12/2013 IFRS
Commitments received		
Guarantee commitments received from the French State on loans	1,313,528	1,512,120
Guarantee commitments received from credit institutions	463,119	471,390
As part of the Group's lending activity	*463,119*	*471,390*
Commitments given		
Financing commitments made to credit institutions	1,188,339	915,888
Financing commitments made to customers	7,526,264	6,837,965
Guarantee commitments made to credit institutions	28,177	725,151
Of which DOM Fund activity	*-*	*265,752*
Guarantee commitments made to customers	593,098	97,095

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.

Investments in managed funds

AFD has interests in 26 companies *via* a number of managed funds (Cidom, FAC, Fides and Fidom) or *via* funds contributed by the French State. These holdings, recorded at cost, do not appear on the balance sheet. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

Fund source	Number of investments	Purchase price
Caisse d'Investissement des DOM (Cidom)	2	2,867
Fonds d'Investissement & de Développement Économique et Social (Fides)	5	642
Fonds d'Investissement des DOM (Flidom)	12	2,810
Other Government resources	7	11,104
TOTAL	**26**	**17,423**

IMF balance sheet

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

In thousands of euros	31/12/2014	31/12/2013
Assets		
Loans and receivables due from credit institutions	1,802,194	1,802,283
Demand	*156,872*	*88,130*
Term	*1,645,322*	*1,714,153*
Accruals	56,201	55,951
TOTAL ASSETS	**1,858,395**	**1,858,234**
Liabilities		
Debt securities in issue	1,850,077	1,850,077
Bonds	*1,801,450*	*1,801,450*
Of which accrued interest	*48,627*	*48,627*
Accruals and other miscellaneous liabilities	8,318	8,157
TOTAL LIABILITIES	**1,858,395**	**1,858,234**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French Government. With the exception of management fees totalling €1.1M, the IMF loans have no impact on AFD Group's financial position.

Transactions between related parties

	31/12/2014		31/12/2013	
In thousands of euros	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	475,530		442,699	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**475,530**	**0**	**442,699**	**0**
Debt		475,530		442,699
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES WITH RELATED ENTITIES	**0**	**475,530**	**0**	**442,699**
Related interest, income and expenses	15,360	-15,360	14,385	-14,385
Commissions				
Net income on financial transactions				
Net income on other activities				
TOTAL NBI GENERATED WITH RELATED ENTITIES	**15,360**	**-15,360**	**14,385**	**-14,385**

Disclosure on Non-Cooperating States and Territories

Article L.511-45 of the French *Monetary and Financial Code* (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.
Act 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative jurisdictions.

At 31 December 2014 AFD Group did not have any offices in non-cooperative countries or territories.

Statutory auditors' fees at 31 December 2014

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 2014. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services.

	Fees excluding tax – 2014 financial year
AFD	271,904
PROPARCO	106,000
Soderag	15,000
Sogefom	25,250
Fisea	10,600
Propasia	4,829

The amount of fees invoiced for due diligence directly related to the statutory audit totalled €385,000 for AFD in 2014.

Significant events since 31 December 2014

No significant events occurred after 31 December that have not been taken into account in the preparation of the financial statements at this date.

5.6 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Board of Directors, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of Agence Française de Développement as appended to this report;
- the justification of our assessments;
- the special 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.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made and 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.

We certify that the consolidated financial statements give a true and fair view, in accordance with IFRS standards as adopted by the European Union, of the assets and liabilities, the financial position and the results of the Group and all of its entities included in the scope of consolidation.

Without casting doubt on the opinion expressed above, we call your attention to Note 3 to the Financial Statements, *Standards applicable as at 31 December 2014*, which discusses changes in methods arising from new standards and interpretations applicable as from 1 January 2014.

2. 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 measure 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 procedures by which its management approves these estimates;
- Provisioning for credit risks constitutes a field of significant accounting estimation in any banking activity. Agence Française de Développement recognises provisions for losses on loans to credit institutions and customers to cover the credit risk inherent in its activities, as described in Notes 2.2.7 and 3.1 Note 4 of the Annex. As part of our assessment of these accounting estimates, we examined the process of credit risk review and non-recovery risk assessment and coverage through writedowns or provisions on an individual or collective basis;
- Agence Française de Développement also 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, we assessed the methods used by AFD and described in Note 10 to the consolidated financial statements, and used sampling to verify that these methods are properly applied.

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.

3. Special 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, 10 April 2015	Courbevoie, 10 April 2015
KPMG Audit	**Mazars**
A division of KPMG S.A.	Max Dongar
Pascal Brouard	*Partner*
Partner	

5.7 AFD'S ANNUAL FINANCIAL STATEMENTS

Balance sheet at 31 December 2014

In thousands of euros

ASSETS	Notes	31/12/2014	31/12/2013
Cash, Central Bank		**48,068**	**15,250**
Government paper and equivalent	**1 and 2**	**770,362**	**670,927**
Receivables due from credit institutions	**3**	**10,440,306**	**9,025,125**
Demand		1,189,532	1,177,373
Term		9,250,774	7,847,752
Transactions with customers	**4**	**17,493,734**	**14,798,753**
Other loans to customers		17,493,734	14,798,753
Bonds and other fixed-income securities	**1 and 2**	**170,379**	**805,915**
Shares and other variable-income securities	**1 and 2**	**39,033**	**39,033**
Equity stakes and other long-term securities	**5**	**125,322**	**125,032**
Shares in related businesses	**6**	**577,348**	**352,636**
Intangible assets	**9**	**19,592**	**16,522**
Property, plant and equipment	**9**	**194,642**	**196,459**
Other assets	**10**	**239,917**	**22,864**
Accruals	**11**	**513,837**	**811,753**
TOTAL ASSETS		**30,632,540**	**26,880,269**
OFF-BALANCE SHEET: COMMITMENTS GIVEN			
Financing commitments		**9,257,339**	**8,218,958**
To credit institutions		2,182,646	1,765,211
To customers		7,074,693	6,453,747
Guarantee commitments	**32**	**1,619,801**	**1,697,268**
To credit institutions		83,972	798,462
To customers		1,535,829	898,806
Commitments on securities		**299,924**	**257,446**
Other commitments on securities	**32**	299,924	257,446

Balance sheet at 31 December 2014

In thousands of euros

LIABILITIES	Notes	31/12/2014	31/12/2013
Central Bank			
Debts to credit institutions	**12**	**545,133**	**202,408**
Demand		403,500	83,769
Term		141,633	118,639
Transactions with customers	**13**	**1,535**	**1,541**
Other demand debts		1,535	1,541
Other term debts			
Debt securities in issue	**14**	**21,309,116**	**18,138,399**
Interbank market and negotiable debt			693,963
Bonds		21,309,116	17,444,436
Other liabilities	**10**	**1,964,636**	**1,800,087**
Borrowing from French Treasury		165,648	210,826
Allocated public funds		83,027	260,007
Other liabilities		1,715,961	1,329,254
Accruals	**11**	**258,373**	**238,714**
Provisions	**15**	**990,006**	**910,581**
Subordinated debt	**16**	**3,136,386**	**3,236,355**
Reserve for General Banking Risk	**17**	**460,000**	**460,000**
Equity excluding RGBR	**18**	**1,967,355**	**1,892,184**
Provisions		400,000	400,000
Reserves		1,420,134	1,365,476
Subsidies		25,893	33,807
Income		121,328	92,901
TOTAL LIABILITIES		**30,632,540**	**26,880,269**
OFF-BALANCE SHEET: COMMITMENTS RECEIVED			
Financing commitments			
Received from credit institutions			
Received from the French State			
Guarantee commitments	**32**	**374,852**	**389,288**
Received from credit institutions		374,852	389,288
Commitments on securities			
Other commitments received on securities			
Other commitments	**32**	**3,200,388**	**3,406,811**
Guarantees received from the French State		3,200,388	3,406,811

2014 Income Statement

In thousands of euros

	Income and expenses on banking operations	Notes	31/12/2014	31/12/2013
+	**Interest and similar income**	**20**	**1,328,751**	**1,181,785**
	On transactions with credit institutions		387,596	313,464
	On transactions with customers		409,870	363,899
	On bonds and other fixed-income securities		26,381	36,595
	Other interest and similar income		504,904	467,827
-	**Interest and similar expenses**	**21**	**1,169,289**	**1,037,717**
	On transactions with credit institutions		471,259	394,093
	On transactions with customers		9,047	9,374
	On bonds and other fixed-income securities		492,470	456,630
	Other interest and similar income		196,513	177,620
+	**Income on variable-income securities**		**10,192**	**13,441**
+	**Commissions (income)**	**22**	**51,626**	**50,756**
-	**Commissions (expenses)**	**22**	**406**	**350**
+/-	**Gains or losses on investment portfolio operations and similar**	**23**	**2,960**	**9,786**
	Net profit or loss on transactions/securities held for sale		2,960	9,786
+	**Other income on banking operations**	**24**	**260,254**	**254,137**
-	**Other expenses on banking operations**	**25**	**35,582**	**31,183**
=	**NET BANKING INCOME**		**448,506**	**440,655**
	OTHER ORDINARY INCOME AND EXPENSES			
-	**Overhead**	**26**	**268,590**	**265,587**
	Staff costs		184,768	184,275
	Other administrative expenses		83,822	81,312
-	**Provisions for depreciation of property, plant and equipment and amortisation of intangible fixed assets**	**9**	**16,012**	**14,848**
=	**Gross operating income**		**163,904**	**160,220**
+/-	**Cost of risk**	**29**	**-40,952**	**-60,356**
=	**Operating income**		**122,952**	**99,864**
+/-	**Gains or losses on fixed assets**	**30**	**-1,583**	**2,211**
=	**Pre-tax income from operations**		**121,369**	**102,075**
+/-	**Exceptional income**	**31**	**-41**	**-9,174**
-	**Corporation tax**			
+/-	**RGBR provisions or reversals**			
=	**NET INCOME**		**121,328**	**92,901**

APPENDIX

5.7.1 Highlights of the period

i. Growth of the balance sheet

At 31 December 2014, the total balance sheet stood at €30.6bn, up 14% relative to the previous year. This change mainly stems from the robust growth in activity, with an increase of 16% in outstanding loans on its own behalf over the period.

ii. Financing of the Group's activity

To finance the growth in loan activity on its own behalf, in 2014 AFD made six bond issues in the form of public issues and two private placements with a total volume of €4.8bn.

iii. Appropriation of 2013 earnings

In a letter dated 28 March 2014, the Minister of the Economy and Finance determined the 2013 dividend to be paid by AFD to the French State. The dividend amounted to €37.2M on 2013 earnings of €92.9M, or 40% of AFD's total income. This amount was confirmed by the ministerial decree of 23 July 2014.
The income remaining after paying out the dividend, €55.7M, was appropriated to reserves.

iv. Subscription to the capital increase for the Investment and Support Fund for Businesses in Africa (Fisea)

On 26 May 2014, the shareholders of Fisea carried out a capital increase for €55M, which was fully subscribed by AFD. €40M of the increase was paid up. At 31 December 2014, the fund was wholly owned by AFD, with PROPARCO owning 1 share.

v. PROPARCO capital increase

The extraordinary general meeting of 28 May 2014 resolved to increase PROPARCO's capital by capitalising reserves in the amount of €105M, raising its capital from €420M to €525M.

On 27 June 2014, PROPARCO's Board of Directors, as authorised by the extraordinary general meeting of 28 May 2014, increased share capital by issuing new common shares in the amount of €168M, raising share capital to €693M.

At the conclusion of these two capital increases, AFD, which subscribed for its allotment of shares as well as for any shares that were not subscribed for by minority shareholders, held 63.93% of its subsidiary's shares at 31 December 2014, compared to 57.43% at 31 December 2013.

vi. Collective provision allocations

Collective provision allocations for performing non-sovereign loans to foreign countries impacted the cost of risk in the amount of €19.4M. This level of provision takes into account the increase in the performing loans in question (17%) and their risk quality. At 31 December 2014, the provisioning rate for these outstandings was 5%.

5.7.2 Accounting principles and assessment methods

General comments

The annual financial statements of Agence Française de Développement are presented according to the accounting principles for credit institutions prevailing in France, in accordance with ANC Regulation 2014-07 of 26 November 2014.

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

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

In accordance with current standards, since 1 January 2006 AFD has applied French CRC Regulation 2005-03, which was repealed and replaced by ANC Regulation 2014-07 of 26 November 2014, relative to accounting practice for credit risk.

As of 1 January 2014, AFD has applied ANC Recommendation 2013-02 of 7 November 2013 on the assessment and accounting rules for retirement obligations and similar benefits, which supersedes CNC Recommendation 2003-R01 of 1 April 2003. Information on the change in method is provided in Paragraph 2.10.

Conversion of foreign currencies

Amounts receivable, amounts payable and off-balance sheet commitments denominated in foreign currencies are evaluated 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 stakes denominated in foreign currencies but financed in euros;
- ✓ balance sheet and off-balance sheet items recorded in illiquid currencies.

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

Foreign currency income and expenditure are converted to euros on a monthly basis, and any subsequent variations in exchange rates result in exchange gains or losses in the income statement. With regard to AFD borrowings used to finance the International Monetary Fund's PRGF.[23] programme, it should be noted that foreign exchange gains and losses on interest are offset by subsidies, and therefore have no impact on the final result.

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

23. PRGF: the Poverty Reduction and Growth Facility.

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 fees are recognised under banking income on an accruals basis, whether due or not due, and are calculated *pro rata*.

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 Prudential Supervisory and Resolution Authority, 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.

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 loans.

Non-performing outstanding 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 original effective interest rate for fixed-rate loans and at the last effective interest rate for variable-rate loans.

An impairment loss is recorded for the full amount of unpaid interest due and interest accrued on doubtful debts.

Loans restructured on non-commercial terms must be identified as performing outstandings. AFD has not identified any outstanding debt restructured on non-commercial terms for the year 2014.

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 more than six months or more are recorded at the date of their acquisition, at the purchasing price, excluding accrued interest.

Premiums or discounts are amortised on an actuarial basis. At each monthly account closing, the coupon accrued since the last period is reported as income.

Impairment for unrealised losses, calculated 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, until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.
They may be subject to impairment in case of counterparty risk.
Premiums or discounts (the difference between purchase price and redemption price) are spread on 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.

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 fully consolidated.

✓ Equity stakes
These are securities for which long-term retention is deemed useful to the company's activities, particularly because it enables influence or control to be exercised over the issuing company.

This relates 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. Impairment 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 26 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 35. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

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.

Subsidies

The "Subsidies" item records the subsidies on loans for general budget support and investment subsidies on mixed loans, which are paid by the State at the start of the loan and which enable the granting of concessional loans by lowering the average cost of the funding allocated in each of the loan categories concerned.

These grants and investment subsidies are amortised over the life of each of the loans they help to finance.

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 building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- ✓ office buildings in the French Overseas Departments and Collectivities are depreciated over 15 years;
- ✓ residential buildings are depreciated over 15 years;
- ✓ fixtures, fittings and furnishings are depreciated over 5 or 10 years;
- ✓ equipment and vehicles over 2 to 5 years.

As for intangible assets, software is amortised according to its type: no more than 5 years for enterprise resource planning systems and 2 years for office automation tools.

Impairment testing is conducted on depreciable/amortisable assets when signs of loss of value are identified at the end of the financial year. If there is a loss of value, an impairment charge is recorded under "Provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets", which may be reversed if there is a change in the conditions that led to it being recognised. This impairment reduces the depreciable/amortisable amount of the asset and thus also affects its future depreciation/amortisation schedule.

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

Forward financial instruments

Off-balance sheet assets for financial instruments are result entirely from 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 ANC Regulation 2014-07[24], 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.

Provisions

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

Provisions for sovereign outstandings

The agreement "on recording provisions for sovereign loans[25] 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 pooled provisions to be made, to which the French State will subsequently contribute.

These provisions are not based on an individual 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.

The provisions are calculated based on a homogeneous portfolio of counterparties determined by quantitative and qualitative analysis (looking at the macroeconomic situation and the estimated residual loss [ERL]). At 31 December 2014, the portfolio is presented with a different segmentation based on three sectors: public goods and services, financial sector and private goods and services.

Based on the same principle, guarantees granted are also provisioned on a collective basis.

AFD may also recognise an additional provision for specific events impacting its area of operations.

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 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

➤ *Defined benefit plans*

✓ Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all transferred to an external insurance company.

Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

The assumptions used for the valuations are as follows:
- discount rate: 1.25%;
- retirement age: 62 for non-executive level employees and 64 for executive level employees;
- annual increase in salary: 2%.

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

AFD pays retirement bonuses ("IFC") to its employees. It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:

- discount rate: 2.00%;
- annual increase in salary: 2.00%;
- retirement age: 62 for non-executive level employees and 64 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

These commitments (retirement bonuses and financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method. At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

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 provision is recognised in *Staff costs*.

24. Book II, Title 5, of ANC Regulation 2014-07 concerning forward financial instruments, which repeals and replaces CRBF Regulation 90-15 as amended by CRBF 92-04.
25. In other words granted to States or with their approval.

New policies: On 31 December 2014, AFD began applying ANC Recommendation 2013-02, published on 7 November 2013. This supersedes the preceding CNC Recommendation 2003-R01 of 1 April 2003.

These new texts modify the rules applicable to measuring benefit fund assets (immediate and full recognition of the cost of services on the income statement and alignment of the expected rate of return on benefit fund assets with the discount rate used in the assessment). They therefore concern only the valuation of retirement commitments and other benefits.

As of 31 December, the amount of the provision was increased by €4.09M.

ANC Recommendation 2013-02 also provides the option, during its initial application, of identifying past actuarial gains and losses that were not recognised at opening and recognising them under retained earnings.

Pursuant to this option, at 1 January 2014, AFD recognised on its balance sheet the accumulated actuarial gains and losses that were not recognised at 31 December 2013, in the amount of €1.08M and an attendant reduction in retained earnings.

➢ *Other long-term benefits*

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2014 in the amount of €112M.

The aggregate impacts on the 2013 and 2014 reporting years are set out in the table below:

In thousands of euros	31/12/2014	Change in the impact on income	01/01/2014	Application of ANC 2013-02	31/12/2013
Provisions for employee benefits	75,840	4,199	71,641	1,083	70,558

The changes in commitments over 2014 are shown in the table in page 112.

AFD's employee benefit commitments at 31 December 2014 (in thousands of euros)

In thousands of euros	Retirement	Retiree health insurance	IFC	Total defined benefit plans	Service award	Grand Total
Change in the present value of the commitment						
Present value of the commitment at 1 January	**93,745**	**62,024**	**12,782**	**168,551**	**743**	**169,293**
Financial cost	2,831	2,254	425	5,510	27	5,537
Cost of services rendered over the year	617	2,378	833	3,827	78	3,905
Reductions/Liquidations	0	0	0	0	0	0
Services paid	-11,576	-1,718	-603	-13,897	-46	-13,943
Actuarial gains (losses)	-2,578	20,776	981	19,179	53	19,232
Present value of the commitment at 31 December	**83,038**	85,714	14,419	183,170	**854**	**184,024**
Change in the fair value of retirement plan assets						
Fair value of assets at 1 January	**97,652**			**97,652**		**97,652**
Expected return on assets	2,930					
Services paid	-11,576					
Actuarial gains (losses)	4,598					
Liquidations	0					
Fair value of assets at 31 December	**93,604**			**93,604**		**93,604**
Corridor limits						
Actuarial gains (losses) not recognised at 1 January	7,529	-8,862	250	-1,083	0	-1,083
Corridor limits at 1 January	9,765	6,202	1,278			
Actuarial gains (losses) generated over the year	7,176	-20,776	-981	-14,581	-53	-14,634
Actuarial gains (losses) recognised in profit or loss	0	0	0	0	53	53
Actuarial gains (losses) recognised in equity in the previous period	-7,529	8,862	-250	1,083		1,083
Actuarial gains (losses) not recognised at 31 December	**7,176**	**-20,776**	**-981**	**-14,581**	**0**	**-14,581**
Amounts recognised on the balance sheet at 31 December						
Present value of the funded obligation	**83,038**					
Present value of unfunded obligation		**85,714**	**14,419**	**100,133**	**854**	**100,987**
Net position	**-10,566**			**-10,566**		**-10,566**
Unrecognised actuarial gains (losses)	7,176	-20,776	-981	**-14,581**		**-14,581**
Balance sheet provision	**-3,390**	**64,938**	**13,438**	**74,986**	**854**	**75,840**
Amounts recognised on the income statement at 31 December						
Cost of services rendered in 2014	617	2,378	833	3,827	78	3,905
Financial cost in 2014	2,831	2,254	425	5,510	27	5,537
Recognised actuarial gains (losses)	0	0	0	0	53	53
Expected return on retirement plan assets	-2,930			-2,930		-2,930
Cost of services rendered						
Impact of reductions/liquidations						
Expenses booked	**518**	**4,632**	**1,258**	**6,408**	**158**	**6,566**
Reconciliation of opening and closing net liability						
Liability at 1 January	**3,621**	**53,162**	**13,033**	**69,816**	**743**	**70,558**
Expenses booked	518	4,632	1,258	6,408	158	6,566
Contributions paid						0
Employer contributions	0	-1,718	-603	-2,321	-46	-2,367
Items that will not be subsequently recycled to profit or loss	-7,529	8,862	-250	1,083		1,083
Net liabilities at 31 December	**-3,390**	**64,938**	**13,438**	**74,986**	**854**	**75,840**
Change in net liabilities	**-7,011**	**11,776**	**405**	**5,170**	**112**	**5,282**

Projected commitments at 31 December 2015 are as follows:

Actuarial debt at 31 December 2014	83,038	85,714	14,419	183,170	854	184,024
Cost of services rendered in 2015	459	3,793	1,012	5,264	96	5,360
Financial cost in 2015	1,044	1,790	277	3,111	18	3,129
Services payable in 2015/transfer of capital upon departures in 2015	-25,158	-1,708	-1,798	-28,663	-80	-28,743
Estimated debt at 31 December 2015	59,383	89,589	13,910	162,882	888	163,771

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.

Subordinated debt

In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

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's new share issue, namely €90M at 31 December 2014 (€160M having already been subscribed).

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.

Commitments given for guarantees to clients include, in particular:

- loan repayment guarantees distributed by Crédit Foncier de France (CFF) and Bpifrance (formerly Oseo);
- 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 countries.

Guarantee commitments for securities include share buyback options offered to PROPARCO's minority shareholders as part of the capital increase undertaken in May 2008, May 2014 and June 2014. These buyback options may be exercised for a period of five years following a lock-in period of five years.

Disclosure on Non-Cooperating States and Territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

Act 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative jurisdictions.

At 31 December 2014, AFD did not have any offices in non-cooperative countries or territories.

Individual right to training (DIF)

The number of hours of rights acquired by AFD's employees under the DIF at 31 December 2014 was 121,890.

The number of hours of training that were not requested was 117,993.

Other information related to consolidation

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

Post-closing events

No significant events occurred after 31 December that have not been taken into account in the preparation of the financial statements at this date.

5.7.3 Additional information on financial statement items

In thousands of euros

Note 1 – Short-term investments[1]

	December 2014			December 2013		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	174,750		174,750	85,521		85,521
Related receivables	1,468		1,468	1,889		1,889
Writedowns	-2		-2	-52		-52
Net total	176,216		176,216	87,358		87,358
Bonds and other fixed-income securities		49,965	**49,965**		699,803	**699,803**
Related receivables		19	19		299	299
Writedowns						
Net total		49,984	49,984		700,102	700,102
Shares 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	**215,249**	**49,984**	**265,233**	**126,391**	**700,102**	**826,493**

	Fixed income	Variable income	Total	Fixed income	Variable income	Total
Unrealised capital gains	398	9,306	9,704	525	6,112	6,637

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2014 Total
Maturity of bonds and other fixed-income securities		49,965			**49,965**

Note 2 – Long-term investments[1]

	December 2014			December 2013		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	582,964		582,964	571,914		571,914
Related receivables	11,182		11,182	11,656		11,656
Net total	594,146		594,146	583,570		583,570
Bonds and other fixed-income securities	117,055		**117,055**	102,658		**102,658**
Related receivables	3,340		3,340	3,154		3,154
Net total	120,395		120,395	105,812		105,812
TOTAL NET VALUE	**714,541**		**714,541**	**689,382**		**689,382**
Difference between purchase price and redemption price	60,181		60,181	55,948		55,948

During the fiscal year, no long-term investment was sold before maturity for the needs of managing counterparty risk.

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2014 Total
Maturity of bonds and other fixed-income securities		11,445	32,012	73,598	**117,055**

1. Total balance sheet items: Government papers and equivalent, bonds and other fixed-income securities, equity and other variable-income securities total €980M at 31 December 2014.

Note 3 – Receivables from credit institutions

	December 2014			December 2013		
	Demand	Term	Total	Demand	Term	Total
Regular accounts	95,178		95,178	94,195		94,195
Loans to credit institutions	1,091,029	**9,322,913**	10,413,942	1,080,901	**7,926,776**	9,007,677
- Interbank investment[1]	1,091,029	1,239,365	2,330,394	1,080,901	425,000	1,505,901
- Loan activity		8,083,548	8,083,548		7,501,776	7,501,776
Related receivables	3,325	43,542	46,867	2,277	35,804	38,081
Writedowns		-115,681	-115,681		-114,828	-114,828
TOTAL	**1,189,532**	**9,250,774**	**10,440,306**	**1,177,373**	**7,847,752**	**9,025,125**

The amount of outsanding at the State's risk is €1.89bn.
1. This item includes money-market UCITS.

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2014 Total
Maturity of loans to credit institutions	1,578,354	838,258	4,299,650	2,606,651	**9,322,913**

Total outstanding doubtful loans (€110M) are included in "Less than 3 months".

	December 2014		December 2013	
Details of doubtful term loans	Gross	Writedowns	Gross	Writedowns
Doubtful outstandings (excluding related receivables)	109,809	107 825	110,068	106,973
- Sovereign doubtful outstandings[2]				
- Non-sovereign doubtful outstandings	106,984	106,984	106,983	106,973

2. Granted to governments or with their endorsement. Provisions are recognised only on the outstanding principal of these loans.

Note 4 – Transactions with customers

	December 2014	December 2013
Credit to customers	**17,719,776**	**15,014,154**
Related receivables	89,541	77,772
Writedowns	-315,583	-293,173
TOTAL	**17,493,734**	**14,798,753**

Outstanding credit at the State's risk is €1.17bn at 31 December 2014.
Outstandings for loans on behalf of the State and for governmental loans stand at €26.53M.

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2014 Total
Maturity of loans to customers	525,173	968,753	5,265,414	10,960,436	**17,719,776**

Total arrears on ordinary receivables (€18.27M) and total doubtful loans (€492.83M) are included in "Less than 3 months"

	December 2014		December 2013	
Details of doubtful term loans	Gross	Impairments	Gross	Impairments
Doubtful outstandings (excluding related receivables)	492,826	314,431	456,735	292,519
- Non-performing outstanding sovereign loans[3]	85,613		80,860	
- Non-performing outstanding non-sovereign loans	191,200	178,807	183,651	172,083

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 2014	December 2013
Long-term securities and equity stakes	**140,737**	**140,199**
Gross value[1]	145,086	136,429
Translation differences	-4,349	3,770
Related receivables	88	
Writedowns	15,503	15,167
NET TOTAL	**125,322**	**125,032**

1. The gross amount of listed shares totalled €12.37M in 2014.

Note 6 – Shares in related businesses

	December 2014	December 2013
Gross value[2]	583,327	358,616
Writedowns	5,980	5,980
NET TOTAL	**577,347**	**352,636**

2. In 2014, AFD acquired Fisea shares for €55M and PROPARCO shares for €168.39M.

Note 7 – Transactions with related businesses

	December 2014	December 2013
Assets		
Receivables due from credit institutions	3,578,780	2,969,568
Liabilities		
Term debts to credit institutions	141,230	118,049
Off-balance sheet		
Financing commitments given	1,205,081	900,766
Guarantee commitments given	879,236	744,817

Note 8 – List of subsidiaries and equity stakes

Subsidiaries held at more than 50%	PROPARCO	Soderag
Head office	151, rue Saint Honoré – 75001 Paris	Rue F. Éboué – BP 64 – 97110 Pointe-à-Pitre
Equity	693,079	5,577
Equity holdings	63.93%	100%
Shareholders' equity	830,584	-118,982
Income after tax	*40,880*	*-33*
Gross book value	411,010	5,980
Net book value	411,010	0
	Sogefom	**Fisea**
Head office	5, rue Roland Barthes – 75012 Paris	5, rue Roland Barthes – 75012 Paris
Equity	1,102	160,000
Equity holdings	58.69%	100%
Shareholders' equity	15,298	121,032
Income after tax	*-490*	*-4,039*
Gross book value	5,015	160,000
Net book value	5,015	160,000

Equity stakes of between 10% and 50%

Gross value	37,310
Net value	32,789

Note 9 – Fixed assets and depreciation/amortisation

	31/12/2013	Purchases	Sales	Transfers	31/12/2014
Gross value					
Land and development	87,261	112		345	87,718
Buildings and development	190,101	5,946	37	-399	195,611
Other property, plant and equipment	52,508	3,327	4,241	57	51,651
Intangible assets	53,281	9,528	8,961	-3	53,845
GROSS AMOUNT	**383,151**	**18,913**	**13,239**	**0**	**388,825**
	31/12/2013	**Provisions**	**Reversals**	**Miscellaneous**	**31/12/2014**
Depreciation/amortisation					
Land and development	2,244	106			2,350
Buildings and development	91,816	6,670	37		98,449
Other property, plant and equipment	39,352	3,981	3,879		39,454
Intangible assets	36,758	5,170	7,676		34,252
Amount of depreciation/amortisation	**170,170**	**15,927**	**11,592**	**0**	**174,505**
Writedowns		85			85
NET AMOUNT	**212,981**				**214,235**

Note 10 – Other assets and liabilities

	December 2014		December 2013	
	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State		288,457		314,170
Borrowing from French Treasury		165,647		210,826
Allocated public funds		70,959		68,127
Guarantee funds in the French Overseas Departments[1]		12,068		233,603
Collateral deposit	225,480	1,163,000		798,200
Other	14,437	264,505	22,864	175,161
TOTAL	**239,917**	**1,964,636**	**22,864**	**1,800,087**

1. French Overseas Department Fund activity was transferred to BPI in 2014.

Note 11 – Accruals

	December 2014		December 2013	
	Assets	Liabilities	Assets	Liabilities
Adjustment accounts for off-balance sheet foreign-exchange positions	49,332		388,670	
Income and expenses resulting from swaps	373,517	144,724	340,125	126,266
Shared income and expenses	50,830	74,799	56,986	62,077
Other accruals	40,158	38,850	25,972	50,371
TOTAL	**513,837**	**258,373**	**811,753**	**238,714**

Note 12 – Debts to credit institutions

	December 2014		December 2013	
	Demand	Term	Demand	Term
Debts to credit institutions	403,497	**139,104**	83,771	**116,153**
Related debts	2	2,529	-2	2,486
TOTAL	**403,499**	**141,633**	**83,769**	**118,639**

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	2014 Total
Maturity of loans due to credit institutions		11,500	37,328	90,276	**139,104**

Note 13 – Transactions with customers

	December 2014		December 2013	
	Demand	Term	Demand	Term
Accounts payable, customers	1,534	-	1,540	-
Related debts	1	-	1	-
TOTAL	**1,535**	**-**	**1,541**	**-**

Note 14 – Debt securities in issue

	December 2014	December 2013
Negotiable debt securities		693,718
Bonds	**20,987,088**	**17,160,435**
Related debts	322,028	284,246
TOTAL	**21,309,116**	**18,138,399**

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total 2014
Maturity of debt securities in issue	876,344	1,829,766	8,938,770	9,342,208	**20,987,088**

Note 15 – Provisions

	December 2013	Provisions	Reversals	New policies	Translation adjustment	December 2014
Sovereign loans[1]	497,491	49,919				547,410
Performing non-sovereign loans	256,000	45,068	22,257			278,811
Guarantees granted	28,397	7,684	4,568		1,285	32,798
French Overseas Department subsidiary risks	34,063	165	937			33,291
Other risks	10,874	126			15	11,015
Foreign exchange losses[1]	6,727	1,125				7,852
Administrative expenses[1]	636					636
Staff costs[1]	76,391	4,694	3,975	1,083		78,193
TOTAL	**910,579**	**108,781**	**31,737**	**1,083**	**1,300**	**990,006**

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

Note 16 – Subordinated debt

	December 2014	December 2013
Subordinated debt	2,625,157	2,415,574
Lowest-ranked subordinated debt	499,866	799,780
Related debt	11,363	21,001
TOTAL	**3,136,386**	**3,236,355**

Note 17 – Reserve for General Banking Risk (RGBR)

	December 2013	Provisions	Reversals	December 2014
Reserve for General Banking Risk	**460,000**			**460,000**

Note 18 – Equity excluding RGBR

	December 2014	December 2013
Provisions	400,000	400,000
Reserves	1,420,134	1,365,476
Subsidies	25,893	33,807
Unallocated income[1]	121,328	92,901
TOTAL	**1,967,355**	**1,892,184**

1. Dividends distributed to the French State in 2014 totalled €37.16M.

Note 19 – Assets and liabilities in foreign currencies[2]

	December 2014	December 2013
Amount of assets denominated in foreign currencies[3]	7,090,411	5,413,596
Amount of liabilities denominated in foreign currencies[3]	4,964,167	4,352,493

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

Note 20 – Interest and related income

	December 2014	December 2013
Interest and income on transactions with credit institutions	**387,596**	**313,464**
Interest on loans	166,682	148,206
Interest on short-term investments	17,044	4,440
Income from forward financial instruments	203,870	160,818
Interest and income on transactions with customers	**409,870**	**363,899**
Interest and income on bonds and other fixed-income securities	**26,381**	**36,595**
Short-term investments	817	9,718
Long-term investments	25,564	26,877
Other interest and similar income	**504,904**	**467,827**
Income from forward financial instruments	504,904	467,827
TOTAL	**1,328,751**	**1,181,785**

The amount of net reversals of provisions for interest on doubtful loans, adjusted for losses on interest on bad loans, is €7.71M at 31 December 2014 compared to €5.25M at 31 December 2013.

	French Overseas Departments	French Pacific Collectivities	Foreign countries
Breakdown of revenue by geographic area	68,633	44,777	499,326

Note 21 – Interest and related expenses

	December 2014	December 2013
Interest and expenses on transactions with credit institutions	**471,258**	**394,093**
Interest on accounts payable	3,942	3,903
Expenses on forward financial instruments	467,311	390,179
Interest on borrowings	5	11
Interest and expenses on transactions with customers	**9,047**	**9,374**
Interest on subordinated debts	9,045	9,372
Other interest and expenses on transactions with customers	2	2
Interest and expenses on bonds and other fixed-income securities	**492,470**	**456,630**
Interest on interbank market securities and negotiable debt securities	429	697
Interest on bonds	464,683	418,965
Interest on lowest-ranked subordinated debt	27,358	36,968
Other interest and similar income	**196,513**	**177,620**
Expenses on forward financial instruments	194,523	175,168
Interest on allocated public funds	1,990	2,452
TOTAL	**1,169,288**	**1,037,717**

Note 22 – Commission income and expenses

	December 2014	December 2013
Commission income	**51,626**	**50,756**
- From subsidies	39,873	35,700
- From processing	9,124	11,085
- Other	2,629	3,971
Commission expense	**406**	**350**

Note 23 – Gains or losses on investment portfolio transactions

	December 2014	December 2013
Balance of investment portfolio transactions	**2,960**	**9,786**
Capital gains on disposals	2,909	12,232
Capital losses on disposals		2,446
Reversals of provisions for depreciation	64	3,143
Provisions for depreciation	13	3,143

Note 24 – Other income on banking operations

	December 2014	December 2013
Other income on banking operations	**260,254**	**254,137**
Subsidies	204 441	202,875
Other banking income	51,069	51,262
Net foreign exchange gains	4,744	

Note 25 – Other expenses on banking operations

	December 2014	December 2013
Other expenses on banking operations	**35,582**	**31,183**
Other operating expenses	35,582	26,237
Net foreign currency losses		4,946

Note 26 – Overhead – Staff costs

	December 2014	December 2013
Wages and bonuses	126,426	122,879
Social security expenses	53,489	51,988
Profit sharing	6,604	8,660
Taxes and similar payments on remuneration	12,392	12,304
Provisions/reversal of provisions	718	3,466
Rebilling banks' staff	-14,861	-15,022
TOTAL	**184,768**	**184,275**

Note 27 – Average workforce

Head office and branches (excluding institutions)	Executives	Supervisors	Skilled employees	Service staff	Stationary staff	2014 Total
	1,029	137	18	1	500	1,685

Note 28 – Asset writedowns

	December 2014				December 2013
	Provisions	Reversals	Translation adjustment	Total	
Unpaid interest on loans (Notes 3 and 4)	11,666	3,626	38	170,933	162,855
Unpaid interest on loans (Notes 3 and 4)	24,923	9,744	7	260,331	245,145
Individualised risk on loans (Notes 5 and 6)	953	617		21,483	21,147
Depreciation of short-term investment securities (Note 23)	13	64	-1	0	52
TOTAL	**37,555**	**14,051**	**44**	**452,747**	**429,199**

Note 29 – Cost of risk[1]

	December 2014			December 2013
	Provisions	Reversals	Total	
Provisions (Note 15)[1]	53,043	27 762	-25,281	-80,647
Depreciation of principal of doubtful loans (Note 28)	24,923	9,744	-15,179	19,406
Losses on principal of bad loans	496	4	-492	885
TOTAL	**78,462**	**37,510**	**-40,952**	**-60,356**

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 2014	December 2013
Gains or losses on financial fixed assets	**-1,697**	**1,455**
Capital gains and losses	-1,361	-3,222
Provisions/reversals for depreciation	-336	4,677
Gains or losses on other fixed assets	**114**	**756**
TOTAL	**-1,583**	**2,211**

Note 31 – Exceptional income

	December 2014	December 2013
Exceptional gains	338	314
Exceptional losses	379	9,488
TOTAL NET	**-41**	**-9,174**

In 2013, exceptional transactions were impacted in the amount of €8.79 M as the result of an external fraud to which AFD fell.

Note 32 – Other off-balance sheet commitments

	December 2014	December 2013
Guarantee commitments received from the French State on loans	3,200,388	3,406,811
Guarantee commitments received from credit institutions	374,852	389,288
Guarantee commitments given to credit institutions[1-2]	83,972	798,462
Guarantee commitments given on securities	299,924	257,446
Guarantee commitments given to customers[1]	1,535,829	898,806

1. In 2014, €431.27M in transactions previously classified under guarantees to credit institutions was reclassified under guarantees to clients.
2. In addition, French Overseas Department Fund activity (€265.75M) was transferred to BPI during 2014.

Note 33 – Commitments on forward financial instruments excluding IMF transactions[1]

	December 2014		December 2013	
	Notional	Valuation[2]	Notional	Valuation[2]
Outright transactions				
Interest rate swaps (hedging transactions)[3]	-21,050,896	644,554	-17,762,649	130,964
Currency swaps (hedging transactions)	22,348,363	11,921	19,058,058	332,990
Commitments received[3]	*11,218,705*		*9,700,573*	
Commitments given	*11,129,658*		*9,357,485*	
Other instruments (hedging transactions)				
Options[3]	-302,776	4,848	-290,183	676

1. This information does not appear in the publishable off-balance sheet.
2. The value of these financial instruments was established with reference to market value.
3. The notional on hedging instruments stood at €32.57M at 31 December 2014.

	Less than 1 year	1 to 5 years	More than 5 years	2014 Total
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	1,230,078	6,132,050	13,688,768	21,050,896
Currency swaps	2,474,541	8,235,514	11,638,308	22,348,363
Commitments received	*1,272,312*	*4,235,058*	*5,711,335*	*11,218,705*
Commitments given	*1,202,229*	*4,000,456*	*5,926,973*	*11,129,658*
Options		-112,500	-190,276	-302,776

Note 34 – Valuation of forward financial instruments excluding IMF transactions[4] by issuer rating

Banking counterparty rating	31/12/2014 Valuation[5]	31/12/2013 Valuation[5]
AAA	-19,385	2,785
AA	208,842	-1,476
A	657,525	597,485
BBB	-1,823	18,081
TOTAL	**845,159**	**616,875**

4. Counterparty risk on derivatives related to the financing of IMF transactions is covered by the overall guarantee granted to AFD by the French State for this purpose.
5. Replacement cost is represented by the net gain on market values, including accrued interest. If the balance is negative, the cost is zero.

Note 35 – Investments held in managed funds[6]

Fund source	Number of investments	Purchase price
Caisse d'Investissement des DOM (Cidom)	2	2,867
Fonds d'investissement et de développement économique et social (Fides)	5	642
Fonds d'investissement des DOM (Fidom)	12	2,810
Other Government resources	7	11,104
TOTAL	**26**	**17,423**

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

Note 36 – Compensation of executive officers

Gross annual compensation allocated to executive officers is €368,123.

Note 37 – Corporation tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments, as well as AFD's re-financing activity with regard to its PROPARCO subsidiary, are subject to corporation tax.

Note 38 – Risk exposure

AFD operates on its own behalf in forward financial markets as part of its own activities and those delegated to it by the French State.

These transactions are undertaken within the limits authorised by General Management with the agreement of the Board of Directors.

5.8 REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Board of Directors, we hereby report to you, for the year ended 31 December 2014, 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.

1. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance 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 annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made and 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 Agence Française de Développement at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without casting doubt on the opinion expressed above, we call your attention to Note 2.10 to the Financial Statements, *Provisions*, which discusses changes in accounting methods related to employee commitments following application of ANC Recommendation 2013-02.

2. 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:

- ✓ Provisions for credit risk constitutes a field of significant accounting estimation in any banking activity: Agence Française de Développement recognises provisions for losses on loans to credit institutions and customers to cover the credit risk inherent in its activities, as described in Notes 2.3, 2.10, III-3, III-4 and III-15. As part of our assessment of these accounting estimates, we examined the process of credit risk review and non-recovery risk assessment and coverage through writedowns or provisions on an individual or collective basis;
- ✓ Agence Française de Développement records writedowns and provisions on shares in related businesses, equity stakes and long-term securities, as described in Notes 2.5, III-5 and III-6. Based on the information available at this time, we assessed the methods used by AFD and described in Note 2.5 to the consolidated financial statements, and used sampling to verify that these methods are properly applied;
- ✓ Agence Française de Développement also records other provisions as described in Notes 2.10 and III-15 to the financial statements. We assessed the approaches adopted by AFD, as described in Note 2.10, based on the information available at this time, and conducted tests, using sampling techniques to check the application of these methods.

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.

3. Specific information and verification

We have also performed, in accordance with the 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 and in the documents addressed to the Board of Directors with respect to the financial position and the financial statements.

The Statutory Auditors

Paris La Défense, 10 April 2015	Courbevoie, 10 April 2015
KPMG Audit	**Mazars**
A division of KPMG S.A.	
Pascal Brouard	Max Dongar
Partner	*Partner*

5.9 AFD'S FINANCIAL RESULTS OVER THE LAST FIVE YEARS

In thousands of euros	2014	2013	2012	2011	2010
Capital + retained earnings + income (€M)	**1,941**	**1,858**	**1,828**	**1,795**	**1,793**
Net banking income (€M)	449	441	363	361	383
Net income (€M)	121.3	92.9	87.9	73.5	103.7
Net income/capital + retained earnings + income	6.25%	5%	4.81%	4.09%	5.78%
Net income/balance sheet total	0.40%	0.35%	0.37%	0.36%	0.59%
Staff					
Number of employees (average)	1,685	1,667	1,656	1,607	1,523
Total payroll costs (€M)	184.8	184.3	170.3	166.5	155.5
Of which social and cultural initiatives (€M)	14.3	15.5	10.7	15.6	11.8

5.10 STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

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 hereby inform you that we have not been notified of any agreements or commitments over the last year that must be submitted to the Board of Directors for its approval.

Agreements and commitments already approved by the Board of Directors

Agreements and commitments approved by the Board of Directors in previous years, which remained in effect during the financial year elapsed

In accordance with Article R.225-30 of the French *Commercial Code,* we were informed that the following agreements, already approved by the Board of Directors in previous years, remained in effect last year.

With the Société de Gestion des Fonds de Garantie d'Outre-Mer (Sogefom)

- Service Agreement

On 15 March 2004, AFD and Sogefom signed a service agreement effective retroactively to 28 August 2003. Under this agreement, AFD provides management, representation and technical support services to Sogefom.

AFD was paid a fee of €1.24M under this agreement in 2014.

With the Société de Développement Régional Antilles-Guyane (Soderag)

- Cessation of interest on advances to shareholder current accounts

In 1997, 1998 and 1999, AFD granted Soderag interest-bearing current account advances in the amount of €47 M. These advances were intended to reinforce Soderag's capital.

Because of Soderag's irremediably compromised position since it went into voluntary liquidation in 1998, and given AFD's status as sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

- Provision of non-interest bearing shareholder advances to Soderag

Between 1999 and 2005, AFD provided its subsidiary with additional non-interest-bearing current account advances to Soderag so that its liquidation could continue.
At 31 December 2014, Soderag's debt to AFD under agreements signed between 1997 and 2005 totalled €106.35M.

With the 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)

- Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from Soderag by the three SDCs (departmental credit companies)

Under the terms of the protocol agreements signed in October and November 1998 between AFD, Soderag and the three SDCs (Sodema, Sofideg and Sodega), the SDCs acquired the portion of Soderag's customer loan portfolio relating to their Department, as Soderag was in liquidation. In September and October 2000, three additional protocol agreements were signed with the three departmental credit companies, setting out the terms for managing the portfolio of loans from Soderag.

At 31 December 2014, outstanding loans in AFD's books amounted to €10.92M for Sodema, €19.35M for Sodega and €0.95M for Sofideg.

Two thirds of the interest and early repayment charges received by the SDCs from customer loans are paid to AFD.

The loans' principal is repaid by the SDCs to AFD to the extent that it is repaid by customers, bearing in mind that the total repayment is limited to the acquisition value of the loans.

Lastly, AFD provides the SDCs with guarantees of the outstanding capital of the loans taken over, up to their net book value.

In 2014, AFD was paid fees and interest for these loans that amounted to €11,000 from Sodema, €361,000 from Sodega and €81,000 from Sofideg.

In 2014, up to €27.1M of the credit risk assumed by AFD was covered by a provision for risks for the Soderag portfolio transferred to the three SDCs, producing a net reversal of €772,000 in 2014.

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)

♦ Lending agreements

Under two agreements signed with Ferdi and Fonddri, respectively, AFD undertook in 2000 to grant an interest-free loan of €12.5M to each foundation, repayable in one instalment after 15 years.

Loan outstandings amounted to €25M at 31 December 2014. AFD received no remuneration under this agreement in 2014.

With the Société de Promotion et de Participation pour la coopération économique (PROPARCO)

♦ Agreement relating to AFD's coverage of PROPARCO's country risk

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 an amendment to this agreement that defined the scope 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 2014, AFD made no reimbursements to PROPARCO.

♦ Service Agreement

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.

An amendment, signed on 13 August 2012, primarily redefines:

- the purpose and extent of AFD/PROPARCO services;
- the invoicing and payment procedures for employees governed by AFD's bylaws and seconded employees;
- ongoing control, compliance and security services for activities;
- periodic control services.

The income booked by AFD under this agreement for the period from 1 January 2013 to 31 December 2014 totalled €26.62M.

Paris La Défense, 10 April 2015

KPMG Audit
A division of KPMG S.A.
Pascal Brouard
Partner

Courbevoie, 10 April 2015

Mazars
Max Dongar
Partner

5.11 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

	MAZARS				KPMG AUDIT			
	Total		%		Total		%	
In thousands of euros	2014	2013	2014	2013	2014	2013	2014	2013
Audit								
Statutory Audit and Certification of the annual and consolidated financial statements of the AFD Group	194	189	60%	100%	215	211	46%	65%
Parent company (AFD)	*136*	*133*	*42%*	*70%*	*136*	*133*	*29%*	*41%*
Fully consolidated companies	*58*	*56*	*18%*	*30%*	*79*	*78*	*17%*	*24%*
Additional assignments	131	0	40%	0%	254	115	54%	35%
Parent company (AFD)	*131*	*0*	*40%*	*0%*	*254*	*115*	*54%*	*35%*
Fully consolidated companies	*0*	*0*	*0%*	*0%*	*-*	*0*	*0%*	*0%*
Subtotal	**325**	**189**	**100%**	**100%**	**468**	**326**	**100%**	**100%**
Other services								
Legal, tax, benefits				*0%*			*0%*	*0%*
Other				*0%*			*0%*	*0%*
Subtotal	**0**	**0**	**0%**	**0%**	**-**	**0**	**0%**	**0%**
TOTAL FEES BEFORE TAX	**325**	**189**	**100%**	**100%**	**468**	**326**	**100%**	**100%**

6 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

6.1 NAME AND POSITION

Jean-Jacques Moineville: Deputy Chief Executive Officer

6.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

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 2013, presented in the 2013 Registration Document incorporated by reference in this document, is covered in a report by the statutory auditors, which includes an observation on page 98 of the Registration Document for 2013.

The historical financial information about the consolidated financial statements for the financial year ended 31 December 2014, presented in this 2014 Registration Document, is covered in a report by the statutory auditors, which includes an observation on page 102 of this document.

The historical financial information about the parent company financial statements for the financial year ended 31 December 2014, presented in this 2014 Registration Document, is covered in a report by the statutory auditors, which includes an observation on page 124 of this document.

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 2015.

Deputy Chief Executive Officer
Jean-Jacques Moineville

6.3 NAME, ADDRESS AND QUALIFICATION OF THE FINANCIAL STATEMENTS' STATUTORY AUDITORS

	For 2012		For 2013		For 2014	
Name	Mazars	KPMG Audit	Mazars	KPMG Audit	Mazars	KPMG Audit
Represented by	Max Dongar	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 most recent appointment	30 April 2014
End of statutory auditors' mandate	The close of the Meeting of the Board of Directors to approve the financial statements for the 2019 financial year.

6.4 INFORMATION POLICY

Philippe Bauduin
Head of the Finance and Accounting Department
Tel: +33 (0)1 53 44 41 56

7 ADDITIONAL INFORMATION

7.1 MANAGEMENT REPORT CROSS REFERENCE TABLE

7.2 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 2013, the related statutory auditors' reports and the Group's management report appear in the Registration Document submitted to the AMF on 30 April 2014 under Number D.14-0463.

7.3 CROSS-REFERENCE TABLE

Headings of appendix XI to EC regulation 809/2004		Page (s) starting	Comments (where applicable)
1	Persons responsible	127	
2	Statutory auditors	127	
3	Risk factors	56	
4	Information about the issuer	7	
5	Overview of activities	8	
6	Organisation chart	9	
7	Information about trends	67	
8	Earnings forecasts or estimates	no	
9	Administrative, management and supervisory bodies	50	
10	Main shareholders	7	
11	Financial information about the issuer's assets and liabilities, financial position and income	73	
11.1	Historical financial information	124	
11.2	Financial statements	73	
11.3	Verification of annual historical financial information	124	
11.4	Date of most recent financial information	73	
11.5	Interim and other financial information	n/a	
11.6	Legal and arbitration proceedings	64	
11.7	Significant change in the issuer's financial position	67	
12	Major contracts	n/a	
13	Information from third-parties, expert opinions and statements of interests	47, 102, 124, 125	
14	Documents available to the public	7	

Appendix 1 – AFD's operating scope

I/ List of priority poor countries

Benin - Burkina Faso - Burundi - Djibouti - Comoros - Ghana - Guinea-Madagascar - Mali – Mauritania – Niger - Central African Republic - Democratic Republic of the Congo - Chad - Togo - Senegal.

II/ Initiatives in PSZ countries

West Africa	Benin
	Burkina Faso
	Cape Verde
	Côte d'Ivoire
	The Gambia
	Ghana
	Guinea
	Guinea-Bissau
	Liberia
	Mali
	Mauritania
	Niger
	Nigeria
	Senegal
	Sierra Leone
	Togo
Central Africa	Burundi
	Cameroon
	Central African Republic
	Chad
	Congo
	Dem. Rep. of the Congo
	Equatorial Guinea
	Gabon
	Rwanda
	São Tomé and Príncipe

East Africa	Djibouti
	Eritrea
	Ethiopia
	Kenya
	Sudan
	Tanzania
	Uganda
Southern Africa	Angola
	Mozambique
	Namibia
	South Africa
	Zimbabwe
Indian Ocean	Comoros
	Madagascar
North Africa	Algeria
	Morocco
	Tunisia
Near and Middle East	Afghanistan[1]
	Lebanon
	Palestinian Autonomous Areas
	Yemen
Indo-Chinese peninsula	Cambodia
	Laos
	Vietnam
Caribbean and Central America	Cuba
	Haiti
	Dominican Republic
	Suriname
Pacific	Vanuatu

1. Afghanistan is temporarily included in the list of PSZ countries according to the 29 January 2004 letter from the regulators.

The PSZ therefore includes 55 countries (of which Cuba is only eligible for the FSP).

III/ Countries outside the PSZ where AFD has received approval to operate

Southern Africa	Botswana	**Cicid meeting of 19 June 2006** (Opening up of AFD loans to all of the countries of Sub-Saharan Africa)	
	Malawi		
	Zambia		
North Africa	Egypt	MAE/Minefi letter of 12 December 2003	
South America	Brazil	Cicid meeting of 19 June 2006 (experimental basis)	
	Bolivia	Letter of 5 December 2014 (green, solidarity-based growth)	
	Colombia	Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012	
	Ecuador	Letter of 25 September 2014 (green, solidarity-based growth)	
	Peru	MAE/Minefi letter of 5 March 2013	
Asia	Bangladesh	Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012	
	Burma	MAE/Minefi letter of 2 April 2012 (post-crisis country mandate) for four years. Joint letter of 25 September 2014 (green, solidarity-based growth mandate)	
	China	MAE/Minefi letter of 12 December 2003	
	India	Cicid meeting of 19 June 2006 (experimental basis)	
	Indonesia	MAE/Minefi letter of February 2005 (in the wake of the tsunami), followed by the Cicid meeting of 19 June 2006	
	Malaysia	Cicid meeting of 5 June 2009: AFD authorised to study the possibility of operating in these two countries	
	Mongolia		
	Pakistan	Joint MAE/Minefi decree of 25 January 2006 (post-earthquake for three years) followed by the Cicid meeting of 19 June 2006	
	Philippines	Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012	
	Sri Lanka	MAE/Minefi letter of February 2005 (in the wake of the tsunami), followed by the Cicid meeting of 5 June 2005 and then by the MAE/Minefi letter of 2 April 2012	
	Thailand	MAE/Minefi letter of 12 December 2003	
Central Asia	Kazakhstan	Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012	
	Uzbekistan		
Caribbean and Central America	Amapa (Brazil)	Cicid meeting of 28 January 1999 and 14 February 2002	Only on a case by case basis for projects of benefit to French Overseas Departments and Collectivities in terms of regional cooperation (except for Mexico)
	Antigua and Barbuda	Cicid meeting of 14 February 2002	
	Bahamas	Cicid meeting of 28 January 1999 and 14 February 2002	
	Barbados		
	Dominica	Cicid meeting of 14 February 2002	
	Grenada		
	Guyana	Cicid meeting of 14 February 2002	
	Jamaica		
	Mexico	Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012	
	Saint Kitts and Nevis	Cicid meeting of 14 February 2002	
	Saint Lucia		
	Saint Vincent and the Grenadines		
	Trinidad and Tobago	Cicid meeting of 28 January 1999 and 14 February 2002	
Caucasus	Armenia	MAE/Minefi letter of 2 April 2012	
	Azerbaijan		
	Georgia		
Near/Middle East	Iraq	MAE/Minefi letter of 6 August 2010	
	Jordan	MAE/Minefi letter of 12 December 2003	
	Libya	MAE/Minefi letter of 2 April 2012	
	Syria	MAE/Minefi letter of 12 December 2003	

This table continues on page 132.

Oceania	Fiji	Cicid meeting of 28 January 1999 and 14 February 2002	Only on a case by case basis for projects of benefit to French Overseas Departments and Collectivities in terms of regional cooperation
	Cook Islands		
	Marshall Islands		
	Kiribati		
	Micronesia		
	Nauru		
	Niue		
	Palau		
	Papua New Guinea		
	Solomon Islands		
	American Samoa		
	Samoa		
	Tokelau		
	Tonga		
	Tuvalu		
Indian Ocean	Mauritius	Cicid meeting of 14 February 2002	
	Seychelles		

Appendix 2 – AFD corporate balance sheet using French standards (simplified)

In millions of euros

ASSETS	2014	2013	Change	LIABILITIES	2014	2013	Change
(Net outstanding) loans	**23,822**	**20,553**	**3,269**	**Market borrowings**	**19,970**	**17,109**	**2,861**
of which net loans on AFD's own behalf	23,592	20,312	3,280				
Gross outstandings	**24,121**	**20,848**	**3,272**				
of which loans on AFD's own behalf	*23,891*	*20,607*	*3,284*				
of which loans on behalf of the State	*230*	*241*	*-11*				
(-) individual writedowns	431	408	23	**Borrowings from the French Treasury**	**2,792**	**2,630**	**162**
(+) accrued interest	132	113	19	**Current accounts**	**546**	**201**	**345**
IMF-PRGF transactions	**1,859**	**1,859**	**0**	**IMF-PRGF transactions**	**1,858**	**1,858**	**0**
Investment portfolio	**715**	**689**	**25**	**Funds under management and advances from the State**	**436**	**640**	**-204**
Short-term cash assets	**2,584**	**2,356**	**228**	**Accruals and other liabilities**	**1,639**	**1,214**	**426**
Equity stakes	**703**	**478**	**225**	**Provisions**	**990**	**911**	**79**
Fixed assets	**214**	**213**	**1**	**Capital and retained earnings**	**2,280**	**2,225**	**55**
Accruals and other assets	**736**	**732**	**4**	**Net income**	**121**	**93**	**28**
TOTAL	**30,633**	**26,880**	**3,752**	**TOTAL**	**30,633**	**26,880**	**3,752**

Appendix 3 – AFD income statement using French standards (simplified)

In millions of euros

EXPENSES	2014	2013	CHA.
Expenses on borrowings	**1,087.1**	**955.1**	132
- Interest on borrowings	436.3	401.3	35
- Expenses on swaps	630.8	535.1	95,7
- Repayment of PROPARCO margin	26.2	13.1	13.1
- Net foreign exchange loss	-6.1	5.7	-11.8
Miscellaneous financial expenses	**15.4**	**16.8**	**-1.4**
Expenses on IMF-PRGF transaction	**16.1**	**14.9**	**1.3**
Total expenses on banking operations	**1,118.6**	**986.7**	**131.9**
Net of expenses on IMF-PRGF transaction	*1,102.5*	*971.9*	*130.6*
Net banking income	**448.5**	**440.7**	**7.9**
Overhead	**268.6**	**265.6**	**3**
- Staff costs	184.8	184.3	0.5
- Taxes and similar payments	5.5	5	0.6
- Other general expenses	78.3	76.3	2
Provisions for the depreciation of property, plant and equipment and intangible assets	**16**	**14.8**	**1.2**
Total expenses on non-banking operations	**284.6**	**280.4**	**4.2**
GROSS OPERATING INCOME	**163.9**	**160.2**	**3.7**
Cost of risk	**-41**	**-60.4**	**19.4**
Net provisions for unpaid interest	-15.2	19.4	-34.6
Net provisions for risk and expenses	-25.3	-80.6	55.4
Loss of principal on bad loans	-0.5	0.9	-1.4
Operating income	**123**	**99.9**	**23.1**
Gains or losses on fixed assets	-1.6	2.2	-3.8
Income from operations	**121.4**	**102.1**	**19.3**
Net exceptional transactions	0	-9.2	9.1
NET INCOME	**121.3**	**92.9**	**28.4**

INCOME	2014	2013	CHA.
Income on loans and guarantees	**1,216.5**	**1,074.4**	**142.2**
- Interest and commissions on loans and guarantees	638.3	569.3	169
- Income on swaps	627.6	548.4	79.1
- Net provisions for unpaid interest	-8	-5.1	-2.9
- Loss of interest income	-0.1	-0.2	0.1
- Net provisions for sovereign outstandings	-49.9	-47	-2.9
- Recoveries on subsidy account for SAL[1] and mixed loan-grants	8.7	9	-0.2
Subsidies	**191.8**	**190**	**1.8**
Investment income	**46.3**	**51.9**	**-5.6**
Income from equity stakes	**10.2**	**13.4**	**-3.2**
Commissions on operations	**45.8**	**43.2**	**2.6**
- AFD fees, donations, SAS[2], SAL[1], C2D	35.6	33.3	2.3
- Other commissions	10.2	9.9	0.3
Ancillary income and miscellaneous	**39.3**	**38.6**	**0.7**
Income from IMF-PRGF transaction	**17.2**	**15.9**	**1.3**
Total income on banking operations	**1,567.2**	**1,427.4**	**139.7**
Net of income from IMF-PRGF transaction	*1,549.9*	*1,411.5*	*138.4*

1. SAL : Structural adjustement loan.
2. SAS : Structural adjustement subsidy.

Appendix 4 – Key ratios and indicators

The following data are from AFD's financial statements.

In thousands of euros		2014	2013
Net banking income		448,506	440,655
	Staff costs / Net banking income	41.2%	41.8%
Cost-to-income ratio	General expenses / Net banking income	63.5%	63.6%
Benefit-cost ratio	Net earnings / Capital + retained earnings[1]	6.7%	5.3%
Efficiency ratio	Net earnings / Balance sheet total	0.4%	0.3%
Staff	Number of employees (average)	1,685	1,667
	Total payroll costs	184.8	184.3
	Of which social and cultural activities	14.3	15.5
Net income		**121,328**	**92,901**
DISTRIBUTED INCOME		**37,160**	**62,687**

1. Capital and retained earnings exclude the Reserve for General Banking Risk (€460M).

Appendix 5 – Results of operating activities for the last five reporting years (parent company)

	2014	2013	2012	2011	2010
Capital + retained earnings + income (€M)	**1,941**	**1,858**	**1,828**	**1,795**	**1,793**
Net banking income (€M)	449	441	363	361	383
Net income (€M)	121.3	92.9	87.9	73.5	103.7
Net income/capital + retained earnings + income	6.25%	5%	4.81%	4.09%	5.78%
Net income/balance sheet total	0.40%	0.35%	0.37%	0.36%	0.59%
Staff					
Number of employees (average)	1,685	1,667	1,656	1,607	1,523
Total payroll costs (€M)	184.8	184.3	170.3	166.5	155.5
Of which social and cultural initiatives (€M)	14.3	15.5	10.7	15.6	11.8

2014

Crédits

AFD Coordination
Léopold Develay, Stéphanie Dous, Marie de Jerphanion, Kulthum Laoufi, Benjamin Neumann, Simon Pierregrosse.
AFD – 5, rue Roland Barthes – 75598 Paris Cedex 12 – www.afd.fr/lang/en/home – Tél.: 01 53 44 31 31

Design and layout
Front cover: Pepper Only – 105, avenue Maurice Thorez – 94200 Ivry-sur-Seine – www.pepperonly.com – Tél.: 01 75 43 50 20
Inside pages: Scripto Sensu – 28, rue Sainte-Foy – 75002 Paris – www.scriptosensu.com – Tél.: 01 48 05 14 59

English translation
CPW Group, Paris

Agence Française
de Développement

Tél. : +33 1 53 44 31 31
Fax : +33 1 44 87 99 39
5, rue Roland Barthes
75598 Paris Cedex 12
France

www.afd.fr

pepperonly.com