2019

UNIVERSAL REGISTRATION DOCUMENT

#WorldInCommon

AFD
AGENCE FRANÇAISE DE DÉVELOPPEMENT

2019
UNIVERSAL REGISTRATION DOCUMENT

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AGENCE FRANÇAISE
DE DÉVELOPPEMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed on 21 April 2020 with the AMF in its capacity as the competent authority under EU Regulation 2017/1129, without prior approval pursuant to Article 9 of said Regulation.

The Universal Registration Document may be used in the context of a public offering of financial securities or of admitting financial securities to trading on a regulated market if it is accompanied by an operating note and, where necessary, a summary of and any amendments made to the Universal Registration Document. The set of documents so formed is approved by the AMF in accordance with EU Regulation 2017/1129.

A word from the CEO

In keeping with the wish of the President of France to give a "new sense of ambition" to the country's development policy, AFD maintained its growth trajectory in 2019 and reached critical size. For the first time, the Group's commitment approvals exceeded the €14 billion threshold at exactly €14.1 billion, versus €11.4 billion in 2018, an increase of nearly 20%. Over 2,500 employees contributed to this sharp increase by making use of every AFD type of instrument—loans, subsidies, guarantees and equity investments—to finance 1,072 projects.

The AFD Group was able to meet this quantitative challenge while observing the priorities set in the 2018-2022 strategic orientations plan and adhering to its five quantitative commitments: (i) to combat climate change (51% of approvals), with an increased effort to promote adaptation; (ii) to increase social link, notably by reducing inequalities between men and women (46% of grants); (iii) to reduce vulnerability in conflict zones by implementing a strategy of "Diplomacy, Defence and Development," notably through to the Minka Fund and with unfailing attention to issues of governance, which represent over €1 billion, two-thirds of which are in Africa; (iv) to support non-sovereign entities (54% of volume), with a 40% increase in "civil society" financing, taking a joint construction approach that has been especially helpful in at-risk countries; and (v) to continue the automatic switch to partnership with a network of European organisations through the Alliance Sahel and the International Development Finance Club (IDFC), which once again showed its confidence in AFD by having it chair the organisation, as it has since 2017, for the second time in a row.

This collective success results from the AFD's ability to "act like a group" by getting ready to integrate Expertise France as of 1 January 2021 and create a powerful, internally consistent "French product" in the area of development. This transformation of AFD into a platform group took the form, in 2019, of broadening Proparco's scope of activity to now manage all of AFD's private sector business (with the exception of that in the French Overseas Departments and Collectivities). This transfer of activities boosted Proparco's approvals up to €2.5 billion in 2019. Africa remains at the heart of Proparco's geographic mandate, representing 51% of its approvals. The "private sector" subsidiary thus contributes to the Group's "Whole of Africa" priority, whereby over half of all funds granted are to our African partners. In particular, 85% of the State's financial effort is concentrated in Africa and the Near East. Project grants reached a record €960 million and were concentrated in the 19 priority poor countries, mostly African and, primarily in healthcare, education and food security.

The trend is based on a robust financial model, as demonstrated by AFD's borrowing capacity on the markets. In 2019, AFD raised €6.4 billion in new bonds from a diverse investor base, in a mixed strategy of public issues (the majority) and private placements. Moreover, 2019 was a year in which AFD issues reached an unprecedented size: one for €2 billion and one for $2 billion. The Agency also benefited from €240 million of refinancing on preferential terms from the State.

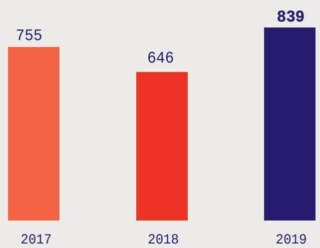
In conclusion, the soundness of AFD's financial model together with strong support from the French State, the extraordinary effort made by its teams and the Group's strategic choices—particularly towards helping Africa—have enabled AFD to carry its weight in building the response to the coronavirus health crisis, as well as its collateral effects in social and economic terms, especially across the African continent. This is central to our announcement of the €1.2 billion "Health in Common" initiative to provide an immediate response to short-term health challenges and prepare for the after-crisis by supporting not just States but also civil society organisations, public development banks, the private sector and French global health organisations working in the 19 priority countries for French aid in Africa, in the ocean basins (Madagascar/Comoros Islands and Haiti) as well as in the Near East.

Rémy Rioux
Chief Executive Officer

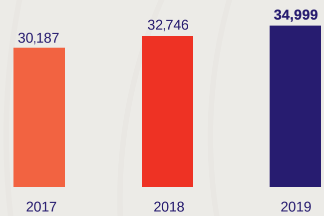
Our key figures

IFRS (€M)

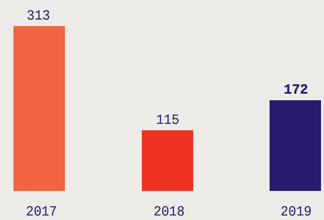
Net banking income



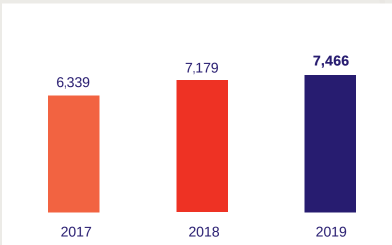
Outstanding loans



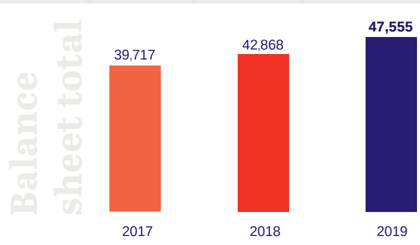
Net income



Consolidated capital

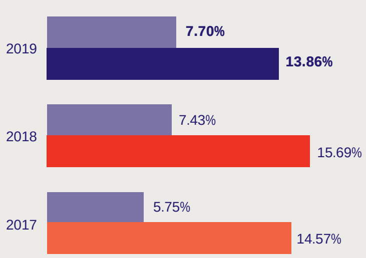


Balance sheet total

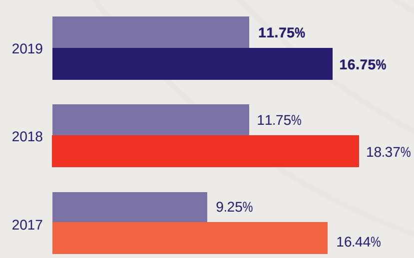


AFD more than complies with the solvency ratios

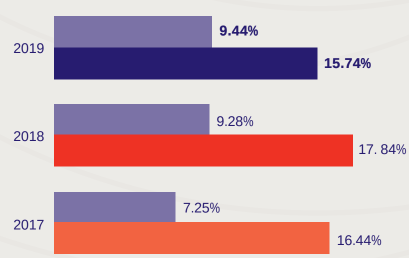
CET1 ratio*



Solvency ratio*



T1 ratio*



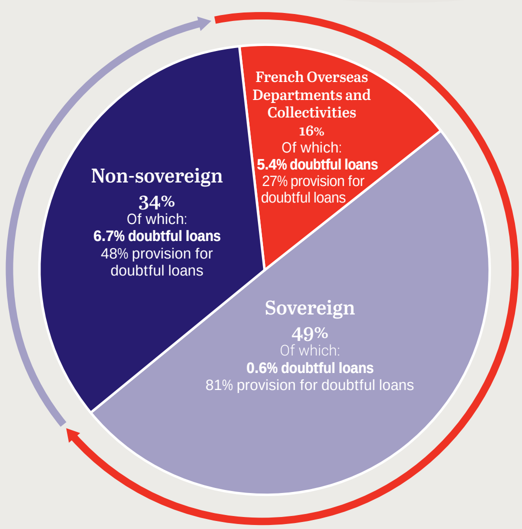
Minimum regulatory levels

Healthy assets

Total outstanding loans at 31 December 2019

€34.999 Billion

Doubtful loans: 3,47%



* *Excluding counter-cyclical cushion*

Our strategy 2018–2022

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

5 commitments

1 100% Paris Agreement

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

2 100% social link

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

We are convinced that these two key commitments - 100% Paris Agreement and 100% social link - are closely connected with, and core to, the 2030 Agenda.

3 3D development thinking

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

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

4 Non-sovereign first

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

5 Partnership by design

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

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

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

The 6 transitions underlying AFD's actions are:

#1. Demographic and social

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

#2. Energy

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

#3. Regional and ecological

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

#4. Digital and technological

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

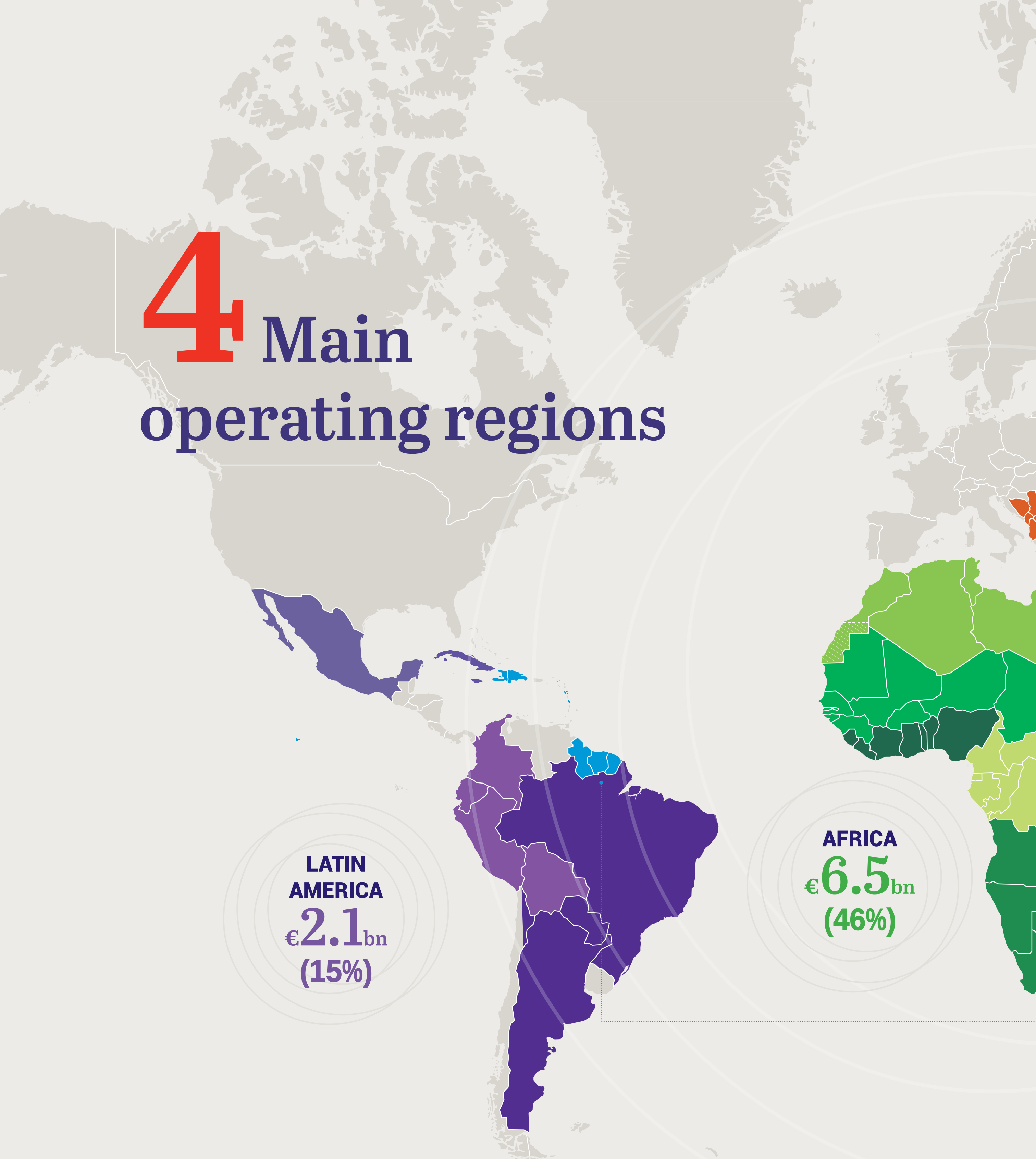
#5. Political and civic

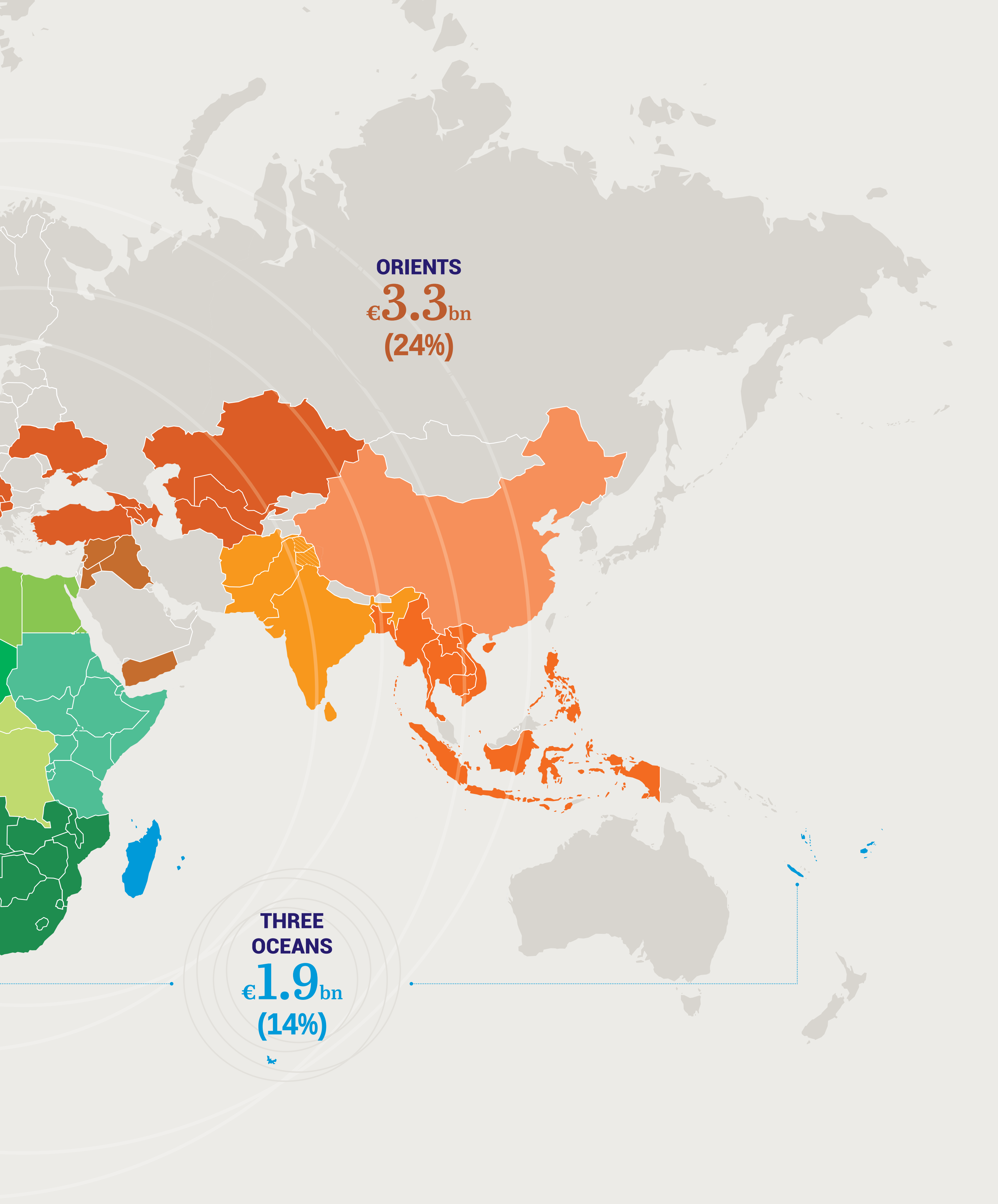
This means reinventing governance models to make them more inclusive and participative.

#6. Economic and financial

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

4 Main operating regions




ORIENTS
€3.3bn
(24%)
THREE
OCEANS
€1.9bn
(14%)

Methodology and glossary

Figures

Due to rounding, the tables' column totals may differ slightly from the sum of the lines composing them.

The abbreviation €K signifies thousands of euros, €M signifies millions of euros and €bn signifies billions of euros.

Commitments are presented net of cancellations during the year.

For loans and grants, data in foreign currencies have been converted into euros for payments at the end of the month of disbursement, using the exchange rate at the date when the commitment was approved and the closing price (31 December) for outstandings. For borrowings, the year's issues were converted to the closing exchange rate.

Scope

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

Glossary

AT:	Technical assistance
ACPR:	*Autorité de contrôle prudentiel et de résolution* (French Prudential Supervisory Authority)
GBS:	General budget support
AFD:	Agence Française de Développement
ODA:	Official Development Assistance
ARIZ:	Support for the Risk of Financing Private Investment in AFD's Areas of Operation
ECB:	European Central Bank
BPI:	Public Investment Bank
C2D:	Debt Reduction-Development Contracts
CCE:	Central Works Council
CEFEB:	Centre for Financial, Economic and Banking Studies
CICID:	Inter-ministerial Committee for International Co-operation and Development (CICID)
CMF:	French Monetary and Financial Code
COM:	Contractual targets and resources
COS:	Strategic Steering Committee
CSE:	Social and Economic Committee. It replaces the elected personnel representatives in the company, merging all the personnel representative bodies (IRP), personnel representatives (DP), works council (CE) and the Health, Safety and Work Conditions committee (CHSCT).
DFID:	Department for International Development
DOM:	French Overseas Department
EPIC:	Industrial and commercial public undertaking
FEXTE:	Fund for Technical Expertise and Experience
FFEM:	French Global Environment Facility
Fisea:	*Fonds d'investissement et de soutien aux entreprises en Afrique* (Investment and Support Fund for Businesses in Africa)
PRGF:	Poverty Reduction and Growth Facility
FSD:	Solidarity Fund for Development
FSP:	Priority Solidarity Fund
IDFC:	International Development Finance Club
MEAE:	French Ministry of Europe and Foreign Affairs
MAE:	French Ministry of Foreign Affairs - Former title
MINEFI:	French Ministry of the Economy and Finance
NAO:	Mandatory Annual Negotiations
SDG:	Sustainable Development Objectives
NGO:	Non-Governmental Organisation
OSEO:	Development Bank for Small and Medium-sized Enterprises
DC:	Developing country
PEE:	Employee Savings Plan
LDC:	Least developed countries
HIPC:	Heavily-indebted poor countries
MIC:	Middle-income countries
RCS:	Resources with special conditions
FFT:	Financial Transaction Tax
PSZ:	Priority Solidarity Zone

Presentation of AFD

1.1 General information

1.1.1 Legal status

HEAD OFFICE

Agence Française de Développement
5, rue Roland-Barthes
75598 Paris Cedex 12
Tel: +33 (0)1 53 44 31 31

LEGAL FORM

Agence Française de Développement (hereafter "AFD") is an industrial and commercial State public undertaking (EPIC) with the status of a financially independent legal entity. AFD is a financing company with an ongoing role that serves the public interest. Its bylaws are defined in Articles L.515-13 and R.515-5 to R.515-25 of the CMF (Decree No. 2017-582 of 20 April 2017). AFD is managed by a Chief Executive Officer who is appointed by Decree for a three-year term (Article R.515-16 of the CMF) and a Board of Directors (Articles L.515-13 and R.515-17 to 515-19 of the CMF). The Strategic Steering Committee (SSC), an AFD entity comprising State representatives on the Board of Directors and headed up by the Minister for Cooperation (Article R.515-7 of the CMF), is responsible for strengthening the link between policy guidelines relating to Official Development Assistance (ODA) set out by the CICID, and the way in which these policies are laid out and executed by AFD.

ACPR SUPERVISION

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

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 the provisions of Article R.515-15, AFD has an ongoing role that serves the public interest under the meaning of Article L.511-104 of the CMF. It may carry out the banking tasks related to this mission. In accordance with CMF Article R.515-6, AFD's role is to carry out all 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 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

LEGAL ENTITY IDENTIFIER (LEI)

9695008K5N8MKIT4XJ91

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

a) AFD's current 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.

1.1.2 General information about AFD's share capital

AFD'S FUNDING

AFD funding amounts to €2,807,998,856. This may be increased through the capitalisation of reserves upon deliberation by the Board of Directors and approved by order of the French Minister of the Economy and Finance. It may also be increased through the allocation of public funds in accordance with current laws and regulations.

1.1.3 Current breakdown of share capital and voting rights

(not applicable)

1.1.4 AFD's stock issues

(not applicable)

1.1.5 Dividends

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

The share capital injections received by public institutions do not give rise to remuneration.

After assessing the financial position of the public institution and noting the existence of distributable amounts, in the report by the Board of Directors, Supervisory Board and any other deliberative body, the Minister of the Economy and the Minister for the Budget sets the amount of dividend paid to the State by ruling.

1.2 AFD Group's 2018-2022 strategy

1.2.1 AFD Group's missions and commitments

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

AFD adopted a new strategy for the period 2018-2022 designed to find the best way possible to meet these development challenges and the French State's objective. The Group has identified five structural commitments to promote global assets.

- **100% Paris Agreement**

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

- **100% social link**

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

- **3D development thinking**

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

- **Non-sovereign first**

AFD intends to ramp-up our financing of non-sovereign players in the countries where we operate. These are public companies, regional and local authorities, civil society organisations, foundations and the private and finance sectors. Theirs is a key role in directing investment towards meeting all sustainable development goals (SDGs).

- **Partnership by design**

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

1.2.2 AFD Group's action

The AFD Group's action takes the shape of a 3-lined matrix.

THE GEOGRAPHICAL LINE

Based on the specific needs of each territory, country or region, AFD has identified 3 areas for action:

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

THE SEGMENT LINE: 6 TRANSITIONS

AFD's strategic orientations are designed to support 6 major transitions: demographic and social, energy, territorial and ecological, digital and technological, political and civic, and economic and financial.

THE RESEARCH AND INNOVATION LINE

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

1.3 AFD operations

1.3.1 General comments

MAIN MISSIONS

AFD is responsible for financing international development projects and programmes within the strategic framework defined by the committee for International Cooperation and Development (the CICID). The framework agreement of 4 January 2007 between AFD and the French State defines the latter's public service role and the financial relationship between them. AFD is also responsible for financing development in the French Overseas Departments and Collectivities and in New Caledonia.

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

- it is responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R.516-6 of the CMF);
- in addition to its operations on its own behalf, it is authorised to carry out a certain number of operations on behalf of third parties:
  - as such, it may represent financing companies, other French or international credit institutions, the European Union, foreign States or international organisations and institutions (Article R.515-13 of the CMF). Since 2001, it has represented Caisse des Dépôts et Consignations for some of its activities in the French Pacific Collectivities and in Saint Pierre and Miquelon. Since 1 January 2014, it has represented Bpifrance Financement in the French Overseas Departments and Collectivities,
  - it can also manage activities funded by the European Union, international institutions and organisations and foreign States, 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). AFD also manages operations financed by the French State's budget on behalf and at the risk of the latter (Article R.515-12 of the CMF);
- it has the task of managing the annual loan portfolio delegated by the State for financing projects proposed by NGOs and ensuring project design and evaluation;
- AFD is increasingly focused on its intellectual production, in other words, discussion, production, capitalisation and research relating to development aid and sustainable development issues;
- lastly, AFD, provides training and further education for top-level managers in the foreign countries and the French Overseas Departments and Collectivities in which it is active via the Development Campus (formerly CEFEB: Centre for Financial, Economic and Banking Studies), which it founded in 1961.

CONTRACTUAL TARGETS AND RESOURCES

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

The current contractual targets and resources will expire at the end of 2019.

1.3.2 Activities of AFD on its own behalf

The following types of financing are available:

1.3.2.1 In foreign countries

Ongoing operations

- Grants

Priority operations in priority poor countries financed by MAEDI budget resources (Programme 209) and by the share of the Financial Transaction Tax (FTT) directly allocated to AFD. Grants are broken down into (i) financing project aid, (ii) advance research funds or supporting projects (iii) equity stakes in partnerships and facilities.

- Loans
  - The non-sovereign pricing structure includes subsidised products with subsidy levels that vary primarily according to counterparty and country risk. This subsidy is funded by State budgets. The structure also includes a market-rate product that is entirely unsubsidised.
  - The sovereign pricing structure includes concessional products obtained due to direct subsidisation and/or use of RCSs from the French Treasury. The level of subsidisation varies according to country and project. The structure also includes a product that is not subsidised by the State.
- Guarantees

Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, bond issue subscriptions or cash facilities and, on the other hand, guarantee commitments through Ariz, its guarantee facility. This facility guarantees private-sector outstandings through local banks that request it. Ariz is available to any AFD operating region provided it meets the geographical objectives set in its contractual targets and resources. Ariz offers two standard individual guarantee and portfolio guarantee products and additional innovative products such as a capital guarantee.

- Equity investments in foreign countries.

Mandate-specific operations

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

1.3.2.2 In the French Overseas Departments and Collectivities

Since 2019, all financial tools available to AFD in respect of the Ministry for French Overseas Departments and Collectivities' 123 budget programme (grants and subsidised loans) are part of the Trajectory 5.0 carried by the Ministry. This strategy is based on 5 priorities: "0 carbon", "0 waste", "0 pollutants", "0 exclusion" and "0 vulnerability".

AFD's overseas activities are mainly carried out via the following instruments:

- Loans
  - financing public-sector investment in a spirit of partnership, especially thanks to the support given to local authorities for defining and implementing their development strategies. This activity is carried out through subsidised loans to the public sector (local authorities, EPCI, public institutions, public utility associations) for operations concerning priority sectors for Trajectory 5.0 *Outre-mer* (French Overseas Departments and Collectivities), or in the form of non-subsidised loans. AFD is today the leading financial partner for the overseas public sector covering almost 2/3 of its annual loan requirements (excluding social housing) and half of its debt (AFD debt outstanding amounts to €6bn);
  - moreover, AFD may grant short-term loans to local authorities in the form of EU or State subsidy pre-financing;
  - financing of the private sector through direct lending to companies at market rates, in a spirit of complementarity with the banking sector, and consistent with the climate commitments of the Group and Trajectory 5.0;
  - AFD also supports the development of microcredit institutions in the French Overseas Departments and Collectivities by contributing to their refinancing.
- Subventions
  - in addition to its loan activity, AFD implements consulting and support actions for the overseas public sector. The agency thus reinforces public players' abilities to complete their investment operations;
  - in 2019, these actions were mainly supported by two subsidy budgets delegated by the Ministry for French Overseas Departments and Collectivities: the General Contractor Support (*Appui à maîtrise d'ouvrage* - AMO) DOM Green Fund (€2M) to initiate environmental projects (climate, biodiversity) and the Structural investments AMO (€2M) to initiate projects in priority sectors for the regions (water, sanitation, employment, young children in French Guiana, etc.);
  - the creation of the Outre-mer 5.0 Fund, enacted at the end of 2019 by the Ministry for French Overseas Departments and Collectivities should amplify this intervention component over the next two years. Based on the priorities of Trajectory 5.0, the fund has a budget of €17.5M: €15M to finance grants for general contractor support and engineering on the one hand; and €2.5M to finance research projects.
- Guarantees
  - AFD also carries out a significant medium to long-term bank loan guarantee activity to small and medium businesses in the French Pacific Collectivities through Sogefom, in which it is the majority shareholder;
  - it also manages housing guarantee funds on behalf of third parties in the French Overseas Departments as well as the Guarantee Fund for agriculture, fishing, aquaculture and forestry (FOGAP) created by the State in 2010.
- Management or representation mandates in the French Overseas Departments and Collectivities
  - AFD is in charge of the extinction management of Crédit foncier de France's operations in the French Overseas Departments and Collectivities. 2019 saw the end of the provision of services on behalf of Bpifrance Financement by AFD in the French Overseas Departments, as Bpifrance has created its own network;
  - AFD also acted to promote the development of social housing in the French Overseas Departments through equity investments in six real estate companies held on its own behalf and/or on behalf of the State. All of these equity investments were sold to CDC Habitat at the end of 2019. AFD has a stake on its own behalf in the share capital of the Société Immobilière de Nouvelle Calédonie (SIC);
  - lastly, it helps the economies of the French Overseas Departments and Collectivities develop within their respective regions.

1.3.3 Other AFD activities

1.3.3.1 Intellectual production

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

1.3.3.2 Promoting knowledge of sustainable development

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

1.3.4 AFD mandate-specific activities

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

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

- the framework agreements between AFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the 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 program for HIPCs and the conversion of monetary debts;
- the agreement of 14 May 2012 on the management of the French Global Environment Facility and the bilateral share in the Montreal Protocol Multi-lateral Fund;
- the agreement of 6 December 2016 on the implementation of the Trade Capacity Building Program (TCBP);
- the agreement of 15 December 2016 related to the management by AFD of the Solidarity Fund for Development (FSD), financed by the solidarity tax on airline tickets and the Financial Transaction Tax. As a priority, FSD inflows are used to pay for multi-lateral aid expenses for development related to global public goods in the areas of health, climate and environment and in particular to fund the International Finance Facility for Immunisation (IFFIm);
- the agreement of 24 November 2017 related to the management by AFD of the loan granted to the African Development Fund (ADF) for the French representation.

Moreover, in application of Article 10 of framework law no. 2014-773 of 7 July 2014 on the 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 States, any public authority, financial 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 intended to cover AFD's costs.

1.3.5 AFD's operating scope (see Appendix I)

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

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

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

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

Moreover, the Government Commissioner has a power to oppose the decisions made by AFD (Article R.515-24 of the French Monetary and Financial Code). However, this is an ex post check and not an ex-ante control.

1.4 Financing activities on its own behalf

AFD's lending and grant 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 foreign country and French Overseas Departments and Collectivities loan subsidies (€197M of credit appropriations received in 2019);
- subsidies received from the State for project grant, French Overseas Departments and Collectivities and NGO activities (€380M of credit appropriations received in 2019).

Loans from the State (RCS)

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

In 2019, AFD received €240M of previously contracted RCS funds, which are backed by highly concessional loans.

Market borrowings

AFD's bond issues totalled €6,439M in 2019.

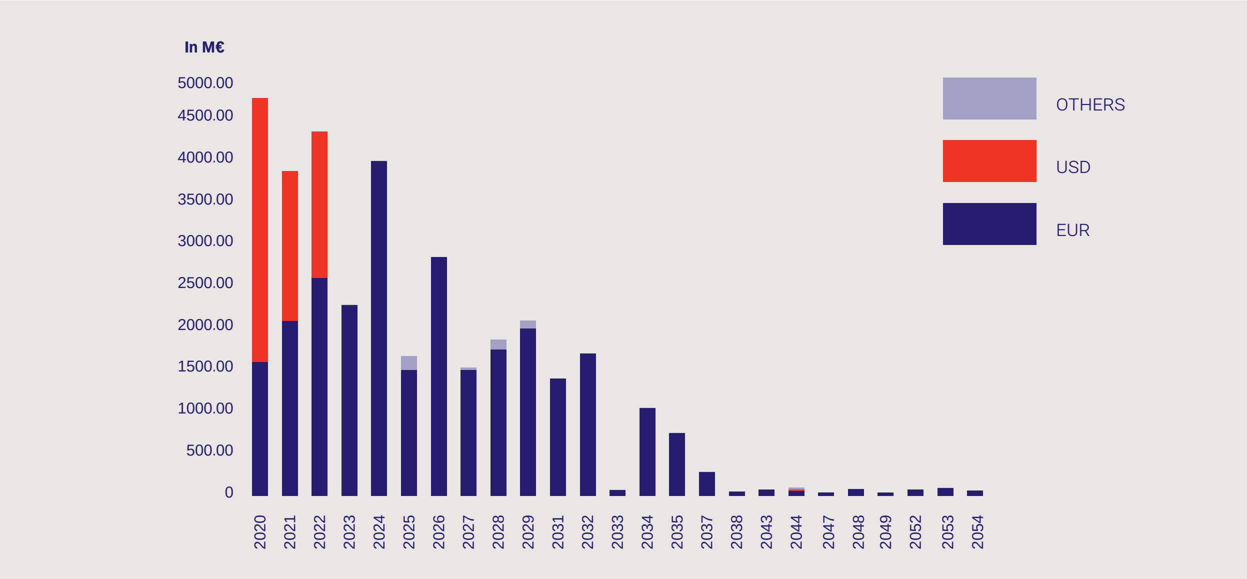
AFD has made five bond issuances in the form of public issues on the euro and US dollar markets for a total of €5,785M:

- $2,000M for 3 years (equivalent to €1,781.7M; maturity January 2022);
- a tap issue with order book opening for €700M for 5.2 years (maturity April 2024);
- $650M for 2 years (equivalent to €583M; maturity June 2021);
- €2,000M for 10 years (maturity July 2029);
- €750M for 15.5 years (maturity May 2035).

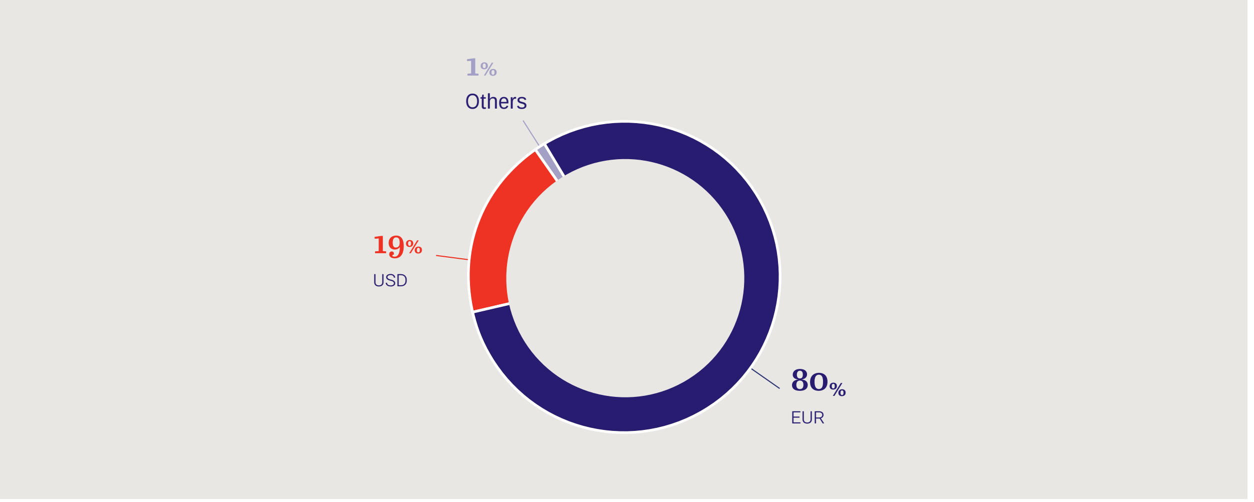
AFD has also undertaken:

- 6 tap issues without order book opening for a total of €380M;
- 10 private placements on the euro, US dollar and Australian dollar markets for a total of €274M;

Based on the 2019 issues, the nominal burden of AFD debt was €35.13bn as of 31 December 2019. The breakdown by maturity date is as follows:

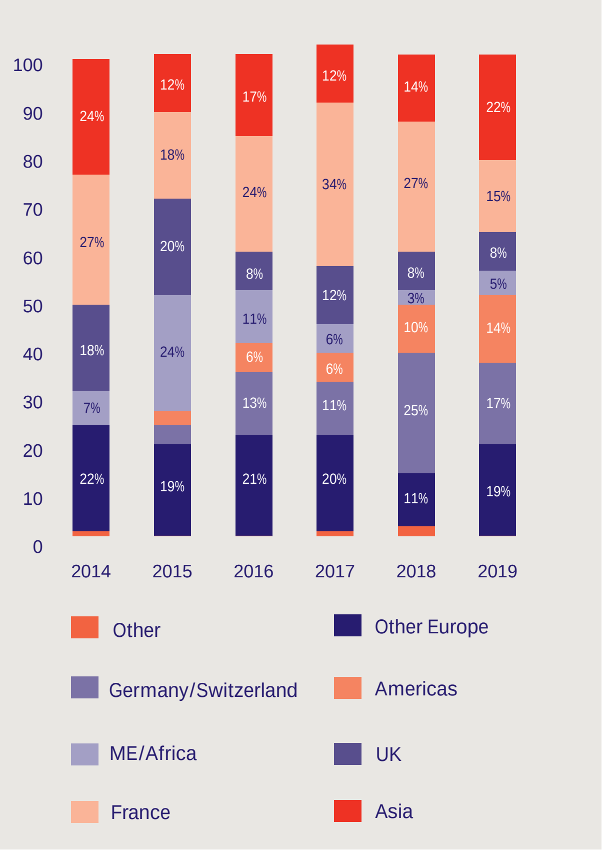


The outstanding debt burden as of 31 December 2019 is mainly denominated in euros:

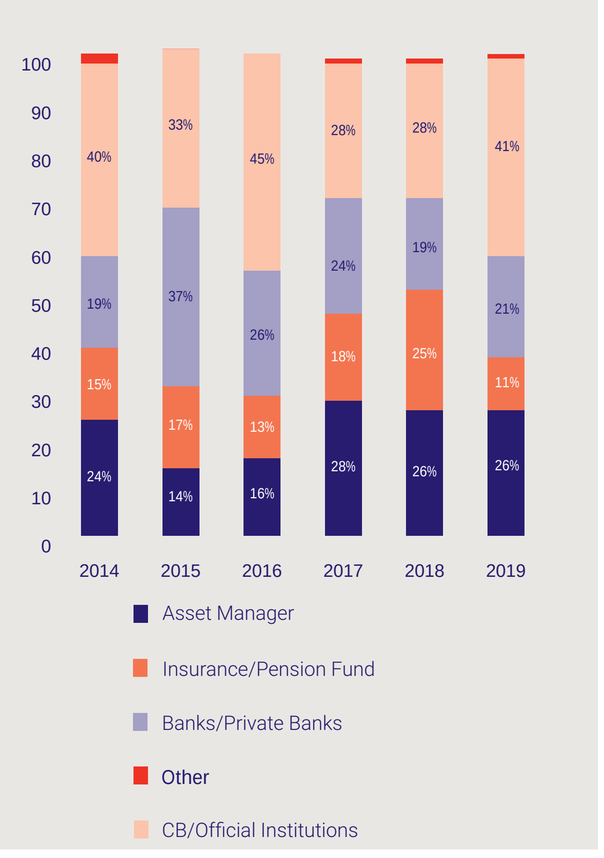


To meet its growing financing requirements, AFD ensures that it constantly maintains and expands its investor base which guarantees secure access to cash resources and competitive prices. The investor base by geographic area and type of "public" operations(1) breaks down as follows:

Geographical area



Type of operation



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

For the past five years, AFD has had a solid investor base in France and Europe. This investor base is also supplemented by international players in Asia, America and the Africa, Middle East region. This geographical diversity goes hand-in-hand with the type of investors.

It can also be seen from the last graph that the portion of banking investors is declining only very slightly (26% in 2016, then 24% in 2017 compared to 19% in 2018 and 21% in 2019) despite the banking licence change AFD experienced in 2017. At the time, AFD's spread had increased by around ten basis points at all points of the curve before returning to 4 to 7 bps at the end of 2017. Since mid-2018 we can see that AFD's spread has normalised and is back in line with that of its closest peers.

1.5 AFD Group

1.5.1 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 2019

	Country	Method[1]	**Percentage of ownership 31/12/2019**	Percentage of ownership 31/12/2018	**Percentage control 31/12/2019**	Percentage control 31/12/2018
France						
Mainland France						
Proparco	France	FC	74.18	64.95	74.18	64.95
Sogefom	France	FC	60.00	60.00	58.69	58.69
Fisea	France	FC	100.00	100.00	100.00	100.00
French Overseas Departments and Collectivities						
Soderag	France – Guadeloupe	FC	100.00	100.00	100.00	100.00
SIC	France - New Caledonia	EQ	50.00	50.00	50.00	50.00
Simar	France – Martinique	EQ				
Socredo	France – Polynesia	EQ	35.00	35.00	35.00	35.00
Asia						
Propasia	Hong-Kong	FC	74.18	64.95	100.00	100.00

(1) FC: Full Consolidation – EQ: Equity method.

Details of the consolidation scope are shown in Section 6.2.3.1.1.

1.5.2 Information about subsidiaries

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

PROPARCO *(SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE)*

Purpose: To promote development projects, acquire equity investments and grant loans in the regions in which AFD is mandated to operate
Legal form: Public limited company (*société anonyme - société financière*)
Head office: 151 rue Saint-Honoré, 75001 Paris
Share capital: €693,079,200 (excluding issue premium)
AFD's stake: 74.18%
Other shareholders: French banks (21.69%), private investors (1.67%), international financial institutions (11.03%), ethical foundations and funds (0.65%)
Balance sheet total: €6,306.6M
Total net equity: €964.8M
Equity investments: €1,111.1M
Gross outstandings: €5,120.6M
Net banking income: €147.3M

SOGEFOM *(SOCIÉTÉ DE GESTION DES FONDS DE GARANTIE D'OUTRE-MER)*

Purpose: To provide a partial guarantee for financing operations undertaken by credit institutions with operations in the French Overseas Departments and Collectivities that have subscribed to a portion of its share capital or have been approved by its Board
Legal form: Public limited company (*société anonyme*)

Head office: 5, rue Roland-Barthes – 75012 Paris
Equity: €1,102,208
AFD's stake: 60% (of which 1.32% via Socredo)
Other shareholders: nine credit institutions (40.00%) including Banque de Nouvelle-Calédonie (7.51%) and Banque de Polynésie (7.51%)
Balance sheet total: €50.8M
Total net equity: €12.7M (excluding FRBG)
Gross outstandings: NS
Net banking income: €3.0M

SODERAG *(SOCIÉTÉ DE DÉVELOPPEMENT RÉGIONAL ANTILLES-GUYANE)*

Purpose: To grant loans and acquire equity investments in order to promote development in the Antilles – French Guiana region
Legal form: Public limited company in liquidation (*société anonyme en liquidation*) (SDR)
Head office: Pointe-à-Pitre (Guadeloupe)
Equity: €5,576,859
AFD's stake: 100.00%
Other shareholders: None
Balance sheet total: €5.3M
Total net equity: -€116.2M (excluding FRBG)
Gross outstandings: NS
Net banking income: -€0.00M

FISEA *(INVESTMENT AND SUPPORT FUND FOR BUSINESSES IN AFRICA)*

Purpose: To promote the growth of African SMEs
Legal form: Simplified joint stock company (*société anonyme par actions simplifiée*)
Head office: 5, rue Roland-Barthes – 75012 Paris
Equity: €227,000,000
AFD's stake: 100.00% (except for one share)
Other shareholders: Proparco holds 1 Fisea share
Balance sheet total: €137.8M
Total net equity: €137.5M
Gross outstandings: NS
Equity investments: €115.9M (amount net of impairments)
Net income: -€9.5M

TR PROPASIA *(PARTENARIAT STRATÉGIQUE POUR UNE PLATEFORME D'INVESTISSEMENT ASIATIQUE)*

Purpose: To create a regional investment platform
Legal form: Public limited company (*société anonyme*)
Head office: Hong Kong
Equity: €7,075,013
AFD's stake: 74.18%
Other shareholders: Propasia is a wholly-owned subsidiary of Proparco
Balance sheet total: €7.5M
Total net equity: €7.5M
Gross outstandings: NS
Equity investments: NS
Net income: -€0.2M

1.5.3 Presentation of subsidiaries

1.5.3.1 Proparco

Proparco is a financial institution specialised in development, with share capital totalling €693M. AFD holds a 74% stake, while the remaining 26% is held by private shareholders (including 12% by French financial institutions, 11% by international financial institutions, 2% by investors and 1% by ethical funds and foundations).

Proparco's purpose is to work with the private sector in order to promote inclusive sustainable development models with a low carbon footprint in developing and emerging countries. Proparco plays a role in achieving sustainable development goals (SDGs). Its sector-focused strategy, adapted to match each country's level of development, is focused on business, industry and trade, banking intermediation and financial systems, infrastructure, energy, health, education 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; it must meet high corporate social responsibility (CSR) requirements and impacts. Proparco offers a complete range of financial instruments to meet the specific needs of private investors in developing countries: loans, quasi-equity, equity and guarantees.

In 2019, Proparco took over AFD's Private Sector activity in order to facilitate the clarity of the Group's actions to promote private sector financing and guarantee coherence for Group counterparties.

1.5.3.2 Activities of TR Propasia, a Proparco subsidiary

TR Propasia is a public limited company in liquidation, wholly owned by Proparco, 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. Its portfolio was sold to Proparco in 2019.

1.5.3.3 Fisea

Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. It mainly operates in Sub-Saharan Africa. It is managed by Proparco on behalf of AFD, within the framework of a regulated agreement.

On 16 December 2019, Fisea's share capital was increased to €227,000,000 following a share capital increase of €17,000,000 fully subscribed by AFD. AFD holds 226,999 shares and Proparco one share.

Fisea's net approvals (excluding Technical assistance) were €6.4M in 2019 and concern 2 direct investments in the microfinance sector.

Signatures at 31 December 2019, excluding Technical assistance, amounted to €37.5M (compared to €2.4M in 2018) in 4 investment funds and 4 companies directly.

Payments amounted to €25.1M.

Total outstandings (excluding Technical Assistance) as of 31 December 2019 amounted to €142M; investment funds represented 83% of outstandings and direct investment represented 17%.

2 Technical Assistance (TA) projects were authorised and signed in 2019 for €0.4M. €0.5 million was disbursed for six technical assistance projects in 2019.

1.5.3.4 Banque Socredo

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

For many years, Socredo has been the top banking institution in Papeete, ahead of Banque de Polynésie (Société Générale Group) and Banque de Tahiti (Groupe BPCE), with 44.7% of the lending market and nearly 42.4% of the deposit market at end-December 2018.

In addition to its banking activities, Socredo has five main subsidiaries through which it extends its operating activities: 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), OCSD (*Océanienne de conservation sécurisée de données*, a secure data storage centre) and finally OCA (*Océanienne de centre d'appel*, a call centre). The Bank also wholly owns OCI (*Océanienne de Capital Investissement*) which manages the equity stakes and development interests of the "venture capital" activity. In 2016, it created OFIMMO (*Océanienne de financement Immobilière*), a company which is wholly-owned by OCI, with a view to preparing projects as part of the OLS-P (Social-private housing body) initiative.

At 31 December 2018, Socredo employed a workforce of 467 people. Its balance sheet total amounted to €2.36bn, mainly comprising customer receivables (€1.72bn). The bank generated net banking income (NBI) of €81.1M and net income of €14.8M, compared with €72.9M and €13.5M respectively in 2017. At 30 June 2019, outstanding loans at the end of the period were positive: +€28M compared to end-2018. Net banking income was €41M, up 2% compared to the first half of 2018.

At its Board of Directors' meeting of March 2019, the Socredo decided to implement a new strategy to reinforce its role as a development bank by including sustainable development, climate and social aspects in its Polynesian and regional projects.

With 30% of Socredo's share capital, AFD is considered by the ACPR to be the reference banking shareholder, which implies an obligation of financial and technical support to its subsidiary. Beyond this consideration, Socredo also has targets and a strategy fully in line with those of AFD in the Pacific zone in terms of financial inclusion, sustainable development and regional integration. AFD is actively involved in Socredo's governance with 3 out of 10 Directors (with 5 Directors from French Polynesia and 2 from the BRED).

In 2019, AFD received dividends of €0.877M for the 2018 financial year.

1.5.3.5 Soderag

The Regional Development Company of the Antilles-French Guiana (Soderag) is a regional development company in which AFD took control in 1995 at the State's request. The extent of its losses and poor prospects led to the company'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.

1.5.3.6 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 small and very small businesses (SMEs and VSEs) in a range of economic sectors. AFD manages Sogefom within the framework of a regulated agreement.

After experiencing a sharp rise in 2018 (+41%), the production of new guarantees saw a new 50% increase in value in 2019, which breaks down as follows:

- in New Caledonia, following on from 2018, Sogefom's new production increased by 70% in value and 50% in the number of guarantees granted in 2019. However, it only represents 38% of the amount recorded in French Polynesia. It amounted to €13.1M compared to €7.7M at end-2018. This year, as in 2018, it was able to offset the amortisation of the outstandings which were €32.9M at end-2019 compared to €28.5M at the end of 2018.
- in **French Polynesia**, production has been rising since 2015. The 2019 figure was €34.3M versus €23.9M in 2018 (+44%) with 464 guarantees granted (404 in 2018). The outstandings recorded at end-2019 represent more than double those of New Caledonia, with 1,538 guarantees in the portfolio for €76.8M.
- in **Wallis-et-Futuna**, the fund did not change with almost zero production this year (only one application approved in 2017 and 2018).

The gross consolidated outstanding guarantees at 31 December 2019 (€109.9M) increased by 28% compared with 31 December 2018 (€85.9M).

1.5.3.7 Property companies

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

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

Following the negotiations conducted between the State and SNI, an agreement was signed for a disposal in two stages: first the purchase by SNI of 34% of the companies' share capital, including all AFD's shares in 2017, then an option to purchase the balance of the State's shares within five years. The full sale took place on 19 December 2019. AFD no longer holds any equity investments on its own behalf in SIDOM (with the exception of SIC in New Caledonia), as these were sold for €20.9M. The shares still recognised in its balance sheet are held on behalf of the State and were sold at the end of 2019.

As a result, as of the end of 2019, AFD's equity stake in its own name in the share capital of SIC was down to 50%, so the company was not included in the transaction as the State had no equity interest in this company.

SIC is a social landlord whose mission is to further social cohesion and the fight against inequality and exclusion by offering housing solutions for people with the most modest means. It manages a stock of 10,700 accommodations, housing 40,000 people, i.e. 15% of the population of New Caledonia.

1.6 Activities of the Agence Française de Développement Group in 2019

1.6.1 International context

2019

The **pace of global growth** in 2019 was 2.9%, its lowest since the international financial crisis of 2008. This low global growth is due to the increase in trade barriers and geopolitical uncertainties as well as to macroeconomic difficulties in several emerging countries. It is accompanied by a significant decrease in the growth in world trade (from 3.6% in 2018 to 1.1% in 2019), notably for manufactured goods. The slowdown was widespread and concerned all major advanced economies and emerging and developing countries, despite the monetary policy easing in most of these countries.

The growth in the **American economy** slowed to around **2,3% in 2019**, under the impact of slowing investment, exports and industrial production, and as the effects of the budgetary stimulus carried out by the Trump administration for private consumption diminish. The **labour market remains sound**, with an unemployment rate at its lowest level (3.6%) and wages that recorded growth exceeding 3% year-on-year, supporting private consumption. The inflation measure (the PCE) tracked by the U.S. central bank came in below the targeted 2%. Despite continued robust macroeconomic fundamentals, the **US Federal Reserve** (FED) has adopted a **preventive reaction to the cyclical slowdown**, in a context of increased uncertainty due to the geopolitical and trade tensions and repeated pressure by President Trump for a monetary easing policy.

The **eurozone** saw its growth slow to **1.2% in 2019**. In a context of a slowdown in global growth and international trade, combined with strong uncertainties surrounding trade policies, the contribution of the external environment to European growth has decreased. The contribution of domestic demand remained positive, notably thanks to public investment, and private consumption remained supported by the dynamic labour market. The unemployment rate is at its lowest level since 2008, at **7,4% in December 2019**. At the national level, **performance was mixed**, with business showing resilience in Spain and France. By contrast, Italy and Germany flirted with recession, primarily due to persistent difficulties in manufacturing, which is structurally more exposed to trade tensions than the services sector. The downward revision to growth and inflation forecasts in the Euro zone seems to consolidate the shift in the ECB's monetary policy, which announced several easing measures in September 2019.

Growth in the **emerging and developing countries** was **3.7% for 2019**, sharply down from 2018 (4.4%).

Uncertainties about the change in global demand weighed on oil prices in 2019. Brent prices oscillated between \$50 and \$60 a barrel, with an average price 11% lower than in 2018, bearing the brunt among other things of Chinese-American tensions. Metals prices rose 4.3% in 2019. Lastly, agricultural commodities fell in 2019.

In **2019 emerging and developing Asian countries** remained the driver for global growth with a growth of **5.6%** despite the slowing trend in growth in China.

Growth in **China** was **6.1% in 2019**, as compared to 6.6% in 2018. In Q4 2019, China recorded a growth rate of 6,0% year-on-year, with the escalation in customs duties with the United States and the slowdown in international trade exacerbating the effects of the implementation of stricter regulatory measures designed to **correct the financial imbalances** and change the debt momentum. The government's more accommodating policy to attenuate the impact of the trade war on the economy, however, had the consequence of a continued indebtedness of agents and particularly local authorities and risks accentuating financial vulnerabilities, that have already led to difficulties for several small and medium sized banks in the country. **India's growth** continued to fall below expectations due to the slowdown in domestic demand. In **Indonesia**, business growth estimated at 5.0% in 2019 **has been strong** for a decade, upheld mainly by domestic demand. That trend, however, has helped fuel a current deficit in the balance of payments since 2011, financed by a massive infusion of foreign funds, mostly of short maturity. **Vietnam** also maintained a high rate of growth, estimated at **6.5%** in 2019, taking full advantage of its position in international value chains and consumption by a booming middle class. A marked slowdown in Chinese demand, however, could affect its exports of intermediate goods and equipment. The growth rate in **Sri Lanka** is estimated to have been 2.7% in 2019 owing to negative fallout on the tourism sector from the April 2019 attacks, aggravating the risks associated with high public debt.

Business activity significantly slowed in the **Latin America and Caribbean region in 2019**, to **0.1%** for the year, affected by unfavourable external conditions and did so despite an improvement in international financial conditions.

Growth in **Brazil** was **1.2%** in **2019**, remaining weak primarily under the effect of the global slowdown and low levels of investment. Public debt was around **90% of GDP** at the end of 2019 with an upwards trajectory, despite the ratification of the retirement reform by the Senate in October 2019. In **Argentina**, the new depreciation of the peso in August 2019 (-40% compared to the USD year-on-year) led to a **new contraction in GDP of 2,1**% over the year. Public debt, over 75% denominated in foreign currencies, reached 88% of GDP at year end 2019 and led the IMF to declare it unsustainable, opening the way to a restructuring of the market debt. The significant decrease in exchange reserves pushed the Central Bank to reintroduce capital control measures. On the political side, the presidential election of October 2019 saw the victory in the first round of the Peronist opposition ticket Fernandez-Kirchner, who took office in December. In **Mexico** growth has slacked since 2015 and **was zero** in **2019** due to weak investment, a slowing of private consumption and American industrial production and uncertainties related to the new government's economic policy. The slowdown in inflation has, however, allowed the Central Bank to start **monetary easing** whilst the budgetary discipline seems to be preserved at this stage. In **Colombia**, growth continued to accelerate in **2019**, to **3.5%**, under the effect of dynamic domestic demand. **Ecuador**, highly dependent as it is on oil prices, began a consolidation of government spending that led a contraction of real GDP of **0.5% in 2019**. The government was forced to backtrack on certain public expenditure reduction measures (fuel price subsidies) designed to continue the adjustment under the programme with the IMF, due to violent demonstrations. **Bolivia** has also seen **political turbulence**, with the resignation and exile of President Morales after a strongly contested electoral process.

Several countries in which AFD operates in **the South and East of the Mediterranean** are characterised by high levels of public debt and significant external financing requirements, which are sources of downward pressure on foreign exchange reserves. These budgetary and external risks weigh on their abilities to meet the challenges posed by sluggish growth (in **2019**, growth in the **North Africa-Middle East region** were **0,8%**, according to the IMF) with high levels of unemployment, which generate social tension.

Growth in **Turkey** was slightly positive in 2019 **at 0.9%**, sustained by a countercyclical budgetary policy and restarted growth in lending by the government banks. The slowdown in business activity combined with depreciation of the Turkish pound since 2018 led to an increased rate of non-performing loans. A high level of external debt is maturing in the next 12 months, exposing Turkey to a significant refinancing risk in a context of reduced confidence by foreign investors and in terms of the available liquidity in foreign currencies. 2019 in **Tunisia** saw the organisation of general elections, which is a relatively unfavourable context for budgetary consolidation. The sustainability of public debt (77% of GDP in 2018, 89% with public guarantees), of which over 70% is labelled in foreign currencies, depends on the future government's desire and ability to negotiate a new programme with the IMF in 2020. Growth, down compared to 2018, was **1.5%** and remain insufficient to meet the country's socio-economic challenges. In **Lebanon**, demonstrations on an unprecedented scale forced the government to resign in October 2019. Since then the country has plunged into an economic and banking crisis. The growing external financing requirement in **Jordan** (14.2% of GDP in 2019) reflects the high current account deficit and the amortisation of several international bonds maturing between 2019 and 2022. **Egyptian** growth remained dynamic in **2019, at 5.5%**, supported by gas production and the tourism sector. The reforms carried out as part of the IMF programme have enabled public debt and the current account deficit to be reduced and foreign exchange reserves to be reconstituted. In **Morocco**, growth has seen a slowdown trend since 2012 and should decrease to **2.7% in 2019**, due to the poorer performance of the agricultural sector. Over the same period, external and budgetary vulnerabilities decreased, although public debt remains high at 84% of GDP at end-2018. The Moroccan model of growth is struggling to generate sustained, inclusive growth.

In **Sub-Saharan Africa**, growth stayed level in **2019** at **3.3%**. The external environment was less promising than in 2018 with lower prices for oil, which several major economies in the region export. One feature of the continent is the **variety of growth trends** among the countries. Countries poor in natural resources have shown growth nearly three times faster (6.0% in 2019) than that of the oil-exporting countries (2.1%) and of other countries rich in natural resources (2.7%). Growth in **Nigeria** was **2.3%** in 2019. In the medium term, the pace of GDP growth is expected to barely match population growth, due to high structural constraints such as infrastructure gaps, low private investment and vulnerability in the banking sector. In **South Africa**, the weak momentum of private consumption due to high unemployment and credit constraints, the decrease in investment linked notably to the deterioration of the business climate and load shedding due to the precarious nature of the public electricity company (Eskom) have weighed heavily on the the growth rate, which is practically zero (0.4%). **Ethiopia**, the third-largest economy in the region, experienced a slight slowdown but rode a high growth curve **in 2019 of 7.4%**. The authorities presented a new economic development programme in the summer that should enable it to resolve the structural problems of the Ethiopian economy. The African countries are vulnerable to **weather shocks**, as shown by the serious drought episodes caused by El Niño which affected **Angola, Botswana, Ethiopia, Kenya, Lesotho, Namibia, Zambia and Zimbabwe**. These weather events have heavy economic and social consequences: food insecurity, migrations, inflationary trends, budgetary tension, electricity shortages and reduced trade balances. The Idai and Kenneth cyclones affected millions of people in **Mozambique** and other Southern African countries in March and April, causing over $2 billion in damage. They also weakened economic activity by affecting the functioning of major ports. In the **Sahel**, security problems worsened, with the main targets being **Burkina Faso, Mali** and **Niger**. Insecurity had considerable budgetary repercussions in these three countries, where it took the form of lost revenues and increased expenses for the army and security. These expenses doubled in 2019, representing around 4% of GDP and absorbing 20% of budgetary revenue.

OUTLOOK FOR 2020

The International Monetary Fund projections of January 2020 counted on a **shaky resumption of global growth at 3.3%**, driven primarily by a rebound in the growth of a few emerging and developing countries that had had recessions or a pronounced slowdown in 2019. (A baseline effect, particularly in Argentina and Turkey.) The slowdown in the advanced economies was assumed to continue. This mixed outlook was based on the continuation of trade uncertainties and geopolitical tensions.

The appearance of the Covid-19 virus in Hubei Province and its spread to other provinces had great repercussions on the Chinese economy, which felt a recession in the first two months of the year, an unwonted trade deficit and falling stock market indicators.

The spread of the virus to the European countries and the United States in March changed the dimension of the health crisis, leading the WHO to declare a worldwide pandemic. The world's major economies will therefore be highly impacted, at least in the first half of 2020, to an extent difficult to foresee given the many factors for uncertainty, particularly related to the end of the health crisis and the public policy decisions that will be made. It appears likely, nonetheless, given the lockdowns in place, that the global economy will go into a recession in 2020 for the first time since the international financial crisis. Asset prices were also hit heavily during March, with scant probability of regaining their prior levels once the health crisis has diminished.

The emerging and developing countries will be impacted in 2020 by the Covid-19 crisis. Apart from the possible health-related developments that could occur, the principal contagion factors are (i) price movements in commodities, particularly oil, (ii) lower international demand due to the various confinement measures taken, particularly the drop in tourist revenues, and (iii) withdrawals of capital from the emerging and developing countries, due to a "flight to quality" phenomenon traditional in times of crisis.

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1.6.2 Information about offices and activities at 31 December 2019

NET BANKING INCOME, REVENUE AND HEADCOUNT BY COUNTRY OF FULLY-CONSOLIDATED AND EQUITY ACCOUNTED SUBSIDIARIES IN AFD'S FINANCIAL STATEMENTS

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

	FY 2019							
	Net banking income in €M(1)	Revenue in €M(1)	Net income or loss before taxes(1)	Corporation tax amount(2)			Public subsidies received	FTE headcount
				Total	Of which current	Of which deferred		
European Union member states:								
France	978	68	213	14	11	4	228	3,038
Asia:								
Hong Kong		0	0					0
TOTAL	**978**	**68**	**213**	**14**	**11**	**4**	**228**	**3,038**

(1) Data from the individual company financial statements of the entities concerned.
(2) Data from the consolidated financial statements.

ENTITY OFFICES PER COUNTRY

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

Offices by country	Activities
France	
AFD – Agence Française de Développement	Financial institution
Fisea – Investment and Support Fund for Businesses in Africa	Investment funds
Proparco – Société de promotion et de participation pour la coopération économique	Financial institution
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 funds
New Caledonia	
SIC NC – Société Immobilière de Nouvelle-Calédonie	Real estate company
French Polynesia	
Banque Socredo	Bank

1.6.3 AFD Group activities

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

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

AFD Group 2019-2018 approvals (€M)

In millions of euros	Total approved in 2019	Total approved in 2018
AFD Foreign countries		
Ongoing operations	**9,827**	**8,101**
Subventions	1,422	487
Sovereign concessional loans	5,308	5,129
Non-sovereign concessional loans	889	326
Non-sovereign non-concessional loans	2,059	1,802
of which NCLs declarable in AOP	1,101	668
Other loans	0	50
Sahel Healthcare Solidarity Initiative	0	2
Funding for NGOs	93	83
Equity stakes	0	0
Guarantees	56	222
Mandate-specific operations	**308**	**309**
GBS	62	55
C2D	235	233
Assigned funds delegated by MAE (Pacific Fund and others)	0.1	0.1
French GEF OR FGEF (French Global Environment Facility)	12	21
Specific activities using resources from other backers	**706**	**433**
Loans delegated by other sponsors	706	433
Pacific Fund - Assigned funds delegated by MAE	0	0
Total AFD Foreign countries	**10,841**	**8,843**
AFD French Overseas Departments and Collectivities		
Ongoing operations	**933**	**868**
Loans	875	822
Guarantees granted to the private sector	51	34
Grants	7	12
Mandate-specific operations and representation	**308**	**494**
BPI funding	293	489
Managed funds	15	5
Total AFD French Overseas Departments and Collectivities	**1,241**	**1,361**
Proparco Foreign countries		
Loans	1,786	1,254
of which AFD sub-participation loans to Proparco	451	375
Equity stakes and other long-term securities	319	253
Fisea	6	48
Other investments	164	96
of which AFD sub-participations granted to Proparco	52	42
Guarantees	250	
of which Proparco	75	
of which ARIZ, EURIZ and MINKA	175	
Grants	18	
Total Proparco Foreign countries	**2,543**	**1,651**
of which AFD sub-participations granted to Proparco	-502	-417
TOTAL GROUP APPROVALS	**14,123**	**11,439**

In 2019, AFD's overall activity reached €14.12bn in commitment approvals, up €2.68bn compared to 2018.

Growth is mainly fed by the loan and grant activities. Approvals for sovereign concessional loans, non-sovereign concessional and non-sovereign non-concessional loans amounted to €5.31bn (+€0.18bn), €0.89bn (+€0.56bn) and €2.10bn (+€0.26bn) respectively at end-2019.

Grant approvals amounted to €1.42bn (+€0.94bn) at end-2019.

1.6.3.1 AFD, Foreign countries

Ongoing operations

Lending and **guarantee** activities were €8.31bn compared to €7.53bn in 2018. The number of loans exceeded the business plan targets, particularly in Africa.

2019 was marked by exceptional growth in non-sovereign activities, with the non-sovereign loan volume amounting to €2.95bn compared to €2.1bn in 2018 (for an initial target of €1.6bn in 2019). The sovereign loan activity recorded slight growth of €0.18bn reaching €5.31bn in 2019.

Total grant approvals were €1.42bn compared to €0.58bn in 2018 up 191.9% due to the availability in 2019 of one billion additional commitment approvals in grants following the CICID meeting of 8 February 2018 and full compliance by AFD with the directions given by the MEAE for the use of these additional resources.

Mandate-specific operations

Mandate-specific activities were stable compared to the previous year, with approvals of €0.31bn, as in 2018. The GEF were down significantly by 44.7% compared to 2018.

Activities using resources from other sponsors

In terms of volumes, these activities increased significantly over the 2019 financial year (€0.71bn compared to €0.43bn the previous year), with growth mainly based on the growth of resources mobilised from the European Union with a year more particularly marked by Asian (AIF), neighbourhood (NIF) and Turkish refugee (FRIT) facilities.

The significant effort of AFD's teams on the subject of guarantees received from the EU is also worthy of note (these guarantees are not included in the business plan achievements).

1.6.3.2 AFD French Overseas Departments and Collectivities

AFD's activity in the French Overseas Departments and Collectivities was stable in 2019, despite the decrease in public orders linked to the deterioration in the financial position of numerous collectivities and the end of the provision of services on behalf of Bpifrance in the Overseas departments. Commitment approvals were €1.24bn at the end of the year compared to €1.36bn during the previous financial year.

Current activity (loans, guarantees and grants) was €0.93bn in 2019 compared to €0.86bn in 2018. This increase is based on loans, notably subsidised loans, strongly supported by the extension to the Green fund (PSP-Vert) to all overseas territories since 2018.

Mandate-specific operations - Bpifrance, managed funds - were down 38% in line with the end of the provision of services on behalf of Bpifrance in the French Overseas Departments.

1.6.3.3 Proparco, foreign countries

Proparco's 2019 approvals stood at €2.53bn, up by 57% over 2018. Loan commitments were €1.78bn (an increase of €0.52bn, or 51%).

1.6.4 AFD's activities in foreign countries

TOTAL VOLUME OF APPROVALS, DISBURSEMENTS, UNDISBURSED BALANCE AND OUTSTANDINGS[(1)]

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

			Variance 2019/2018	
In millions of euros	2019	2018	€M	%
Loans*				
Approvals	8,256	7,308	948	13.0%
Disbursements	3,825	3,916	-91	-2.3%
Undisbursed balance at 31 December	21,806	18,548	3,258	18%
Outstandings at 31 December	26,100	24,473	1,626	7%
Subventions				
Approvals	1,577	627	950	152%
Disbursements	546	397	148	37%
Undisbursed balance at 31 December	2,360	1,341	1,019	76%
Outstandings at 31 December	22	18	3	18%
Guarantees				
Approvals	56	222	-165	-75%
Outstandings	177	182	-6	-3%
Equity investments				
Approvals	0	0	0	0%
Disbursements	0	0	0	
Total				
Approvals	9,889	8,156	1,733	21%
Disbursements	4,371	4,313	57	1%
Undisbursed balance at 31 December	24,166	19,889	4,277	22%
Outstandings at 31 December	26,298	24,674	1,624	7%

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

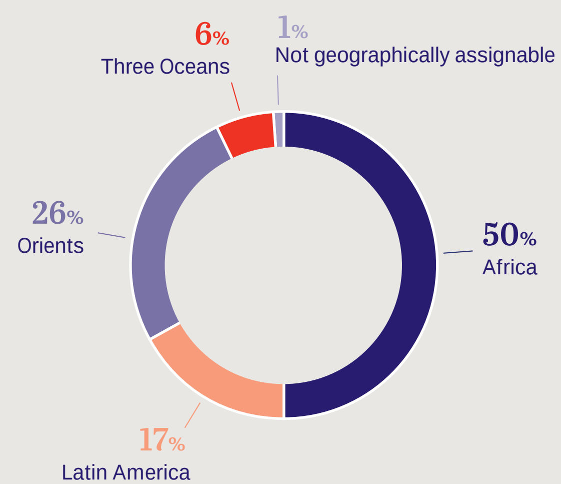
- Total approvals in foreign countries reached €9.89bn in 2019, compared with €8.16bn in 2018, i.e. a significant rise of 21%. Growth concerned the loan and grant activities, except for guarantees including ARIZ, which are operated by Proparco.
- The undisbursed balance and outstandings also grew by 22% and 7% respectively.
- Total disbursements were stable between 2018 and 2019. This stabilisation is due to the decline in disbursements for the loan activity (-2.3% between 2018 and 2019) related to political and macroeconomic uncertainties in Argentina, Turkey, Cuba, Lebanon and the Philippines. Thus €250M of public policy loans could not be signed and disbursed in 2019. This decrease is partly offset by an increase in disbursements of grants, which posted growth of 37%, reflecting the increase in approvals.
- For a breakdown of approvals and disbursements by type of financing, see Appendix 6.

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

GEOGRAPHIC BREAKDOWN OF AFD APPROVALS

2018 and 2019 approvals, presented by beneficiary country, break down as follows:

	Loans		GBS, grants and equity stakes – ongoing operations		Guarantees granted		General	
In millions of euros	2019	2018	2019	2018	2019	2018	2019	2018
Africa	3,814	3,677	1,070	379	56	210	4,940	4,266
Latin America	1,622	1,034	36	17		8	1,657	1,060
Orients	2,372	2,371	203	100		3	2,575	2,475
Three oceans	444	225	138	67			582	292
Not geographically assignable	4	0	130	63			134	63
GRAND TOTAL	**8,256**	**7,308**	**1,577**	**627**	**56**	**221**	**9,889**	**8,156**



AFD easily exceeded its targets in Africa in 2019. Commitment approvals in Africa were €4.94bn in 2019, up 16% on 2018.

This increase is largely due to the increase in project grants, financed from 2019 resources. Project grants reached the record level of €960M and were mainly concentrated in priority poor countries. This enabled the reinforcement of implementation of the 3D strategy in the Sahel as well as interventions in the sectors of education and professional training, health, agriculture and food safety in the priority poor countries. The increase in grants also resulted in an increase in non-sovereign loan commitments, amounting to €1.4bn compared to €1.2bn the previous year.

AFD's activity in the Latin America region grew strongly to €1.66bn in 2019 compared to €1.1bn in 2018. With over €1.6bn in loan commitment approvals, including 45% sovereign and 55% non-sovereign, the activity in Latin America followed a growth trajectory with commitments in line with those of the Group. After a difficult 2018 marked by an exceptional electoral cycle in the continent, geopolitical upheavals were the continent's main news (Venezuela, Cuba, Argentina, Ecuador, Chile, Bolivia, etc.), revealing the socio-economic tensions related to inequalities in a context of persistent economic slowdown over the last five years. Following a decision by the COSEC-CICID, the department's scope of operation was broadened to Costa Rica in 2019.

2019 approvals are in line with the ambitious 100% Paris Agreement mandate, with four climate/energy Public Policy Loans (Mexico, Costa Rica, Ecuador and Bolivia) and seven green credit lines (Banco do Brasil, BRDE, CAF, BCIE, three Ecuadorian banks). Moreover, for the first time, AFD initiated grant operations (€14.6M) for regional projects covering both regional development issues and the fight against deforestation in the Amazon basin (TerrAmaz project) and the reinforcement of policies for the elderly (with the IDB and Expertise France).

AFD's performance can be highlighted in this context as it was the Agency's best year since its establishment on the continent in 2007 (€1.6bn in approvals and €1.2bn in signatures in 2016).

AFD's activity in the Orients was stable in 2019 It mainly took the form of sovereign loans. Grants represented 7% of commitment approvals in 2019. In this respect, €79.2M was committed as part of the MINKA initiative for the Middle East. 11% of Orients commitments for 2019 mobilised funds delegated by third parties to AFD. The use of European delegated funds increased strongly in 2019 compared to previous years: almost €280M was mobilised, notably to support the implementation of projects in Eurasia (51% of the delegated funds in 2019) and the Middle East (23% of delegated funds in 2019). We can note the use of the EU's Facility for Refugees in Turkey (FRIT) for almost €150M and financing via the Green Fund for the Climate of a water and food safeguard project in Gaza (€32M).

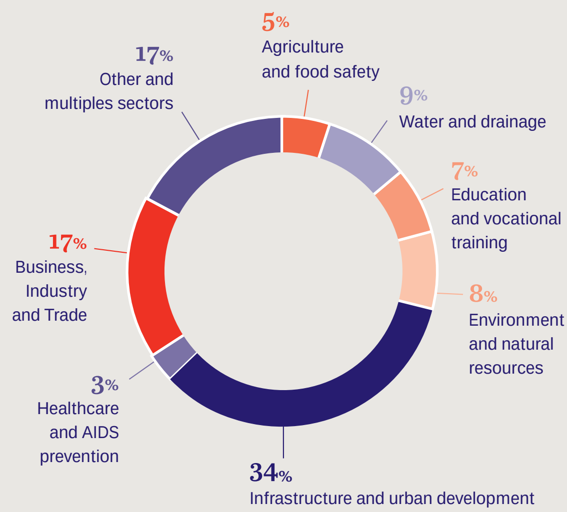
Commitment approvals in foreign states in the Three Oceans zone reached €0.58bn in 2019 compared to €0.29bn in 2018, up 99% compared to 2018. The activity in the Dominican Republic saw a very strong increase with significant public policy loans for sustainable transport (€250M). AFD also maintained its support at a high level in Mauritius, notably for airport infrastructure on Rodrigues Island to guarantee the regional continuity with the capital island and the security of air links. The Agency also significantly increased its grant approvals to the Comoros (€51.5M in 2019 compared to €0.5M in 2018) as part of the implementation of the France-Comoros development plan (€150M over 3 years).

BREAKDOWN OF AFD'S APPROVALS BY SECTOR OF ACTIVITY

The 2018 and 2019 approvals including budgetary aid, guarantees given, loans, grants and investments in ongoing operations are shown as follows, by branch of activity:

In millions of euros	2019	2018	% of the 2019 total	% of the 2018 total
Agriculture and food safety	489	731	5%	9%
Water and drainage	911	898	9%	11%
Education and vocational training	682	182	7%	2%
Environment and natural resources	822	658	8%	8%
Infrastructure and urban development	3,400	2,776	34%	34%
of which transport	*1,058*	*1,115*	*11%*	*14%*
of which energy	*1,208*	*1,223*	*12%*	*15%*
of which development and urban management	*601*	*102*	*6%*	*1%*
of which infrastructure and miscellaneous social services	*456*	*326*	*5%*	*4%*
of which other	*76*	*10*	*1%*	*0%*
Healthcare and AIDS prevention	325	435	3%	5%
Business, Industry and Trade	1,637	1,483	17%	18%
Other and multiples sectors	1,623	992	16%	12%
TOTAL	**9,889**	**8,156**	**100%**	**100%**

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



In 2019, the infrastructure and urban development sectors continued to represent one-third of AFD's commitments in Foreign States, with a total up slightly to €3.4bn (compared to €2.8bn in 2018). These commitments cover three sectors: transport, energy and urban development.

The transport activity has a contrasted profile from a geographical viewpoint. One-third of new 2019 commitments are located in Africa, with the financing of the BRT (Bus Rapid Transit) in Abidjan, an emblematic project co-financed with the World Bank; the remainder is spread between the Orients and "Three Oceans"; Latin America is absent due to the uncertain political context (elections in numerous countries). Urban mobility represents 60% of commitments - we find the financing of public transport infrastructures (Surat metro in India, Abidjan BRT, Karachi BRT) and also an ambitious public policy loan in the Dominican Republic alongside the Inter-American Development Bank, which reflects a reinforced positioning in public policies. Half of 2019 commitments have a climate co-benefit, mainly in mitigation. Moreover, an "air quality" facility was approved, enabling us to intervene in this transversal issue which is growing in importance, in partnership with French players such as AirParif or international players such as the C40 city coalition and German cooperation (GiZ).

In 2019, the urban development activity largely focused on Africa, with the financing of a support programme to improve the performance of Moroccan cities (co-financed with the World Bank), the financing of the construction and rehabilitation of markets in Bouaké and Youpougon in Côte d'Ivoire, the financing of the rehabilitation programme of vulnerable districts in Ganvié, Benin, the financing of a public lighting project in Kampala, Uganda, and the financing of a project to improve waste management in Senegal (co-financed with the World Bank). In Latin America, AFD granted financing for rehabilitation and climate change adaptation project in the vulnerable district of Caximba with the Brazilian city of Curtiba and the Casa para todos programme to promote social housing in Ecuador (co-financed with the Inter-American Development Bank). In the Orients region, AFD granted financing for several projects and programmes including the development and enhancement project for the major archaeological and natural site of Fengxiang in China, and a multi-donor capacity building and infrastructure financing reinforcement programme for Palestinian municipalities. Lastly, in the Three Oceans zone, AFD financed the first natural disaster contingency loan in Madagascar (co-financed with the World Bank).

The Business, Industry and Trade sector was this year AFD's second intervention sector with 17% of commitments (€1.6bn), stable compared to the previous year.

Water and drainage accounted for 9% of commitments this year at €0.91bn compared to €0.89bn the previous year.

In 2019, AFD's interventions contributed to:

i) sector governance improvements and capacity building. Thus, AFD granted a public policy loan of €150M in Jordan with the aim of optimising the financial management of the sector, reinforcing the technical performance of operators, encouraging water resource management strategies and gender strategies;

ii) the fight against climate change in both adaptation and mitigation. A loan of €28M to reinforce the Ivorian weather services was approved, for example, which will improve the Ivorian population and economy's resilience to weather and climate events.

The total amount of grants is historically high for this sector in 2019: subsidies from the State were close to €150M. Several operations concerned particularly fragile zones in the Sahel (Burkina Faso, Mali, Mauritania). The AFD also financed a first project in this sector in Gambia, to improve drinking water supplies in the Banjul zone (grant of €16.5M).

Commitments in the agriculture and food safety sector decreased. They amounted to €0.49bn in 2019 compared to €0.73bn in 2018, or 5% of AFD's activity. This strong decrease in the volume of activity is mainly due to the decrease in commitments for sovereign loans and marked in 2018 by several large amount grants, and by commitments on C2D (depending on the specific cycle of each beneficiary country). The activity remained, however, at a very high level in terms of numbers of projects, notably in grants.

In terms of the environment and natural resources, commitments increased between 2018 and 2019 to €0.82bn. The growth in financing dedicated to the environment and natural resources focuses on Latin America (74% of financing).

2019 saw the consolidation of growth in financing dedicated to biodiversity and sustainable management of natural resources that began in 2018, with commitments of €346M, which is comparable to 2018 (€342M). In Latin America, AFD also granted a carbon-reduction public policy loan in Costa Rica for US$150M concerning the highest-emitting sectors (agriculture, transport) and the high potential sequestration sector (land use and biodiversity) on climate governance and the payment for eco-systemic services in Costa Rica.

In addition, environment and natural resources financing increased thanks to a public policy loan in Mexico (€250M) and a credit line of €180M to the Central American Bank for Economic Integration aiming to transform banking practices with regard to the climate and the environment.

The healthcare and AIDS prevention sector accounted for 3% of AFD's activity in 2019 versus 5% in 2018. AFD financed 46 projects in 2019 (compared to 36 in 2018) in the healthcare and social protection sectors. The activity mainly focused on the "Healthcare and social protection" area dedicated to the implementation of universal healthcare insurance and the reinforcement of healthcare systems. Several operations illustrate the diversity of financing (27 projects in all of AFD's intervention regions): a grant for a private-public partnership with Aga Khan Health Services to improve the Tanzanian system to fight against cancer, a subsidised loan to the Centre Hospitalier de la Basse-Terre (Guadeloupe) or new financing for the DNDi – Drugs for Neglected Diseases initiative to develop treatments for neglected tropical diseases.

Projects for reproductive health, health of mothers, babies, children and teenagers and to promote nutrition (SRMNIA+N) reached €43M.

The development of social protection systems has also increased strongly as shown by the co-financing with the World Bank of a Program-for-Results (PforR) in China to support care for the elderly in Guizhou province or the public policy loan (PrPP) in social protection in Georgia (supported by a FEXTE allowing French expertise to be mobilised via Expertise France).

1.6.5 AFD activities in French Overseas Departments and Collectivities

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

			Variance 2019/2018	
In millions of euros	**2019**	2018	€M	%
Approvals (excl. guarantees)	**882**	**828**	**54**	**7%**
• French Overseas Departments	559	466	93	20%
• France's overseas provinces	319	357	-38	-11%
• Multi-country	4	5	-1	
Disbursements	**603**	**727**	**-124**	**-17%**
• French Overseas Departments	412	471	-59	-13%
• France's overseas provinces	191	255	-64	-25%
• Multi-country	0	0.8	-1	n.s.
Undisbursed balance at 31 December	**948**	**897**	**51**	**6%**
• French Overseas Departments	516	580	-64	-11%
• France's overseas provinces	432	317	115	36%
Outstandings at 31 December	**5,501**	**5,410**	**91**	**2%**
• French Overseas Departments	3,561	3,485	76	2%
• France's overseas provinces	1,895	1,878	17	1%
• TAAF	45	47	-2	-4%

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

Breakdown by region

In millions of euros	Approvals		Variance 2019/2018	
	2019	2018	€M	%
French Overseas Departments	560	465	95	20%
Guadeloupe	67	99	-32	-33%
French Guiana	68	17	51	n.s.
Martinique	96	66	30	46%
Mayotte	68	60	9	14%
Réunion	258	203	54	27%
Multi-country French Overseas Departments	4	20	-16	-80%
France's overseas provinces	319	359	-39	-11%
New Caledonia	136	175	-40	-23%
French Polynesia	158	165	-7	-4%
St Pierre and Miquelon	7	7	0	4%
Saint Martin	18	11	7	67%
Wallis & Futuna	0	0	0	
Multi-country French overseas provinces	0.00	0.01	0	
Multi-country	3	5	-2	
TOTAL	**882**	**828**	**54**	**6%**

Approvals excl. guarantees.

The level of commitment approvals in the French Overseas Departments and Collectivities (excluding guarantees) was €0.88bn in 2019 compared to €0.83bn in 2018, up 6%.

All regions saw an increase in their level of approvals, with the exception of Guadeloupe and the French Pacific Collectivities where the exceptional level of 2018 commitments gave way to a volume of commitments in line with previous financial years.

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

In millions of euros	Approvals		Variance 2019/2018	
	2019	2018	€M	%
Ongoing operations	884	829	55	7%
Loans	**875**	**820**	**55**	**7%**
Public sector	712	687	25	4%
Subsidised loans to local authorities	544	322	222	69%
Other loans – public sector	168	365	-197	-54%
Private sector	163	133	30	22%
Direct financing	46	83	-37	-45%
Banks	117	50	67	n.s.
Grants	**7**	**8**	**-1**	**-11%**
Guarantees (1)	**2**	**1**	**1**	**n.s.**
Guarantees granted to the public sector	0	0	0	
French Overseas Department Fund	0	0	0	
SPM and Mayotte guarantee funds	2	1	1	
Equity stakes and other long-term securities	**0**	**0**	**0**	

(1) The guarantees shown above do not include Sogefom approvals (€47.4 million in 2019) or FOGAP approvals (€1.7 million in 2019).

The private sector activity was up in 2019, with commitments reaching €163.4M compared to €133M the previous year. Loans to the public sector were €712M (compared to €688M in 2018), up slightly after the marked decrease recorded in 2018. This regain in activity is mainly due to the continued increase in subsidised loans to local authorities, +68% over one year. Other loans to the public sector (non-subsidised and short term) continued to decline, marking the focusing of AFD's financing on priority sectors of the Trajectory 5.0 Outre-mer.

Despite a difficult economic situation for a number of public sector players, in particular for certain local authorities whose borrowing capacity - and therefore investments - fell significantly (particularly in the Antilles), commitment volumes in this sector were €712M.

Subsidised loans continued to grow at €544M, of which €118M was granted to the equivalent Pacific Green Fund (PSP Vert - environmental projects and the fight against climate change) and €544M to the PSP-Bonifié (social sectors and essential services). This increase in subsidised activity illustrates the efforts to deploy the Trajectory 5.0 Outre-mer, which supports the Agency's activity. It also reflects the impact of external factors, such as the relaunch of European operational programmes in regions where programming could not be implemented up to now, and more traditionally, a securing of major investment operations encouraged by the approach of local electoral cycles. Consequently, this allowed reinforced support for projects related to the five priorities of the Trajectory 5.0 Outre-mer, and particularly for the environment and the medical-social sector.

For the private sector, loans to companies amounted to €163.4M, showing a significant recovery in activity compared to 2018 (€133M), but which must be weighed against the large refinancing operation for the Socredo subsidiary (€117M). This operation, however, enables SME/VSEs in French Polynesia to be fed as Socredo is the leading financial institution with 44% market share. The direct loans to private companies activity decreased significantly with commitments of €46M compared to €83M the previous year. This is due to the particularly competitive nature of the financial environment and internal arbitration on several files in which the risk profiles were unsatisfactory. We can note, however, that grants to the private sector in 2019 concerned all ocean basins.

1.6.6 Intellectual production

1.6.6.1 Research, training and publication activities

In April 2019, AFD's Board of Directors adopted the research, innovation and knowledge strategy for the 2019-2022 period. This introduces two major changes in studies and research (E&R): (i) multiply collaboration with locally-anchored research partners in the AFD Group's intervention regions, (ii) focus the research agenda on the French policy priorities by highlighting several key themes: climate/biodiversity, inequalities and social link, growth.

AFD's research on the Climate/biodiversity theme focuses on an analysis of the interactions between economic development/ prosperity on the one hand, and the environment on the other, with the introduction of tools for the measurement and the quantification of these interactions. The work on climatic financial risks will be developed further in 2020. With regard to adapting to climate change, the work focuses on small insular states and the development of weather and climate services with the aim of reducing the risk of natural disasters. A research and knowledge programme on biodiversity aims to promote the development of a pro-nature economy based on research findings. Lastly, AFD continues to develop macro-economic models, with the help of its GEMMES tool, with six models (Brazil, Côte d'Ivoire, Colombia, Vietnam, Tunisia and Morocco) most of which should be operational at the end of 2020.

For cohesion/social ties and human development, work focuses on four main themes: inequalities, social protection - notably through integration into the labour market - training/employment match and demographic transition insisting on gender. This work falls within the prospect of fair transition, by studying the different aspects of sustainable structural change induced by development. The studies carried out propose recommendations on public policies. From 2017 to 2020, AFD has ensured the coordination and set-up of a facility for a research programme on inequalities in the form of a delegation of DG DEVCO funds.

On the Governance, Common goods and Regions theme, AFD focuses its work on several themes: (i) the sector deployment of the common goods approach (medicine, water, oceans and biodiversity, urban and rural land), (ii) the analysis of their economic model and relationship with States, notably in a context of fragility, (iii) the study of how public policies are made in Africa, (iv) issues of security-development, notably in the Sahel.

Grounded in a partnership process, all research programmes will promote the national research networks of our partner countries. With the signature of a memorandum of partnership with Côte d'Ivoire (2016) and Tunisia (2018), the approach of strategic dialogue was extended to Morocco and Mali in 2019, and with the UNECA.

Priority is given to work on Africa. Granted in January 2019, the "*Savoirs Sahel*" (Sahel knowledge) project has enabled financing for several research programmes entrusted to Sahel teams on key themes to understand the transformations and challenges in the Sahel in crisis and to contribute to steering the Agency's portfolio: regional governance and local legitimacy, Arab-Islamic education, resilience of agro-pastoral systems to climate constraints, social integration of young people. These research programmes will deliver their first results in 2020. In January 2020, AFD also launched a series on African economies, edited by Repères La Découverte, which should be published once a year.

Assessments

AFD commissioned ex-post evaluations of the projects and programmes it finances and also broader assessments of its sector and cross-sector strategies (set out in its intervention frameworks), particular topics and/or funding instruments. It also conducts joint assessments with other departments responsible for assessing France's development aid programmes at the Ministry for Europe and Foreign Affairs and the Ministry of the Economy and Finance. All strategic assessments are published but only the performance sheets of the ex-post evaluations of projects/programmes are published on the French Cooperation open data website. In 2019, AFD carried out 35 assessments.

Publications

In 2019, 87 publications were published bringing to more than 850 the number of publications available in the research and evaluation catalogue. They are circulated via the AFD website and also in paper format to a targeted number of people both inside and outside the organisation, notably governments, AFD partners and documentation centres. The publications are promoted in several channels: a dedicated "Studies and knowledge" newsletter, through an active social media presence (2,241 members of the dedicated LinkedIn Group), the use of varied formats (graphics, just out, bookmarks, videos) and at conferences and at publication-related events.

1.6.6.2 The development campus

In 2019, the Development Campus repositioned its activity serving players and transition momentum, by mobilising resources to scale-up several structuring training modules. Six training modules benefited from this reinforced momentum, including the Master MODEV, the Lead Campus/Young Leaders and Social & Inclusive Business Camp (SIBC) programmes. This change confirms both the Campus' operational positioning and its role as a laboratory for educational innovations serving the implementation of the AFD Group's strategic orientation plan.

2019 saw the continuation and intensification of digitalisation. Almost 100,000 training days were dispensed thank to hybrid training and the production of MOOCs, in addition to face-to-face sessions. The production of 2 MOOCs on urban mobility in Africa and sustainable and innovative cities, as well as the contribution to a MOOC on gender and a multi-player MOOC on biodiversity were launched in 2019.

Supporting/facilitating communities of players involved in change is now a key component of the training product. In 2019, the Campus coordinated around ten learning communities bringing together players from various horizons involved in transitions. In 2019, the SIBC, along with Proparco, AFI and INN, for example, supported 60 start-ups producing a positive impact in Africa, as part of a growing community which today includes over 200 project initiators and mentors reaching out to 45,000 members on Facebook.

In 2019, the *Parcours Pilotage des Collectivités Locales* (PCL) continued to change thanks to a hybrid model that enabled a change of scale (over 1,000 listeners in 2019) and thanks to deployment in Africa (Madagascar, Togo, Algeria, Cameroon) for better anchoring in the South.

2019 also saw the ramp-up of internal and external PLAY training, focused on collective creativity and intelligence, which reached over 200 people in face-to-face sessions. These innovative educational formats, based on neuroscience findings and emblematic of new ways of learning, have been rolled-out to all training (PCL, MoDEV, Boulder, Sahel 2040, SIBC, etc.) carried by the Campus, along with internal discussions.

Training on understanding major challenges was also intensified in 2019: summer schools on SDGs and strategy 5.0 in the French Overseas Departments and Collectivities notably.

The Campus reinforced its positioning as a platform, multiplying structuring partnerships for the deployment of its training actions. In 2019, the French university of the BOULDER MFT Institute opened in Marseille, reinforcing the partnership between the Campus and this leading player in the inclusive financing sector. Numerous other partnerships saw the light in 2019, with players in both the South (Egypt, Morocco, Cameroon, South Africa and Madagascar) and in the North (FERDI/IHEDD, CRI, IRD, HEC, ADEME, CODATU, Instituts de Futurs Souhaitables, UVED, ENA, Emerging Valley, KEDGE, Euroméditerranée, AMFT and AVITEM) that wish to work with Africa.

1.6.7 Proparco's activity

For Proparco, 2019 came under its 2017-2020 strategy focusing on 6 priority operational targets: Africa, border countries, climate, mobilising third parties, environmental and social support and financing of innovative projects.

In 2019, the scope of activity managed by Proparco was enlarged, as Proparco took over AFD's private sector activity.

Proparco's 2019 approvals amounted to €2,537M, broken down as follows:

- loan operations, quasi-equity and other securities for €1,950M. Debt operations represented €1,362M in 2018. Activity under AFD represented €502M of these operations in 2019 (€420M in 2018);
- equity investments in the amount of €319M (€253M in 2018);
- guarantees for €250M in 2019 (€0M in 2018);
- grants for €18M.

In 2019, Africa remained at the core of Proparco's geographical mandate and approvals on the African continent reached €1,285M, representing 51% of own account approvals; Latin America and the Caribbean represented €499M, Asia €388M and Europe €81M.

€180M was approved for projects which impact several countries.

Proparco devoted 31% of its activity to projects aimed at combating climate change.

	Loans		Equity stakes and other long-term securities		Other investments		Guarantees		Grants		Total	
Country	2019	2 018	2019	2 018	2019	2 018	2019	2 018	2019	2 018	2019	2 018
West Africa	317.1	127.7	2.7	21.8	46.1	-	126.9	-	5.0	-	497.8	149.4
Central & East Africa	177.7	91.2	0.4	11.1	0.4	-	46.3	-	-	-	224.9	102.3
Southern Africa	31.7	95.1	27.2	10.0	-	-	4.0	-	0.1	-	63.0	105.1
Multiple countries Sub-Saharan Africa	-	15.0	-	27.3	-	50.7	-	-	-	-	-	93.0
North Africa and Mediterranean	254.7	78.4	82.8	21.9	-	1.5	15.7	-	2.1	-	355.3	101.8
Latin America and Caribbean	386.0	601.9	55.2	43.3	44.6	44.1	13.6	-	-	-	499.4	689.2
Asia	316.8	124.5	51.4	42.4	13.5	-	6.1	-	0.1	-	387.8	166.9
France's overseas provinces	-	-	-	-	-	-	-	-	-	-	-	-
Indian Ocean	25.0	85.7	4.0	-	-	-	11.6	-	-	-	40.6	85.7
Europe	81.4	40.0	-	9.8	-	-	-	-	-	-	81.4	49.8
Multi-country	195.1	6.4	95.5	65.3	59.0	-	26.2	-	11.2	-	386.9	71.7
TOTAL	**1,785.5**	**1,265.8**	**319.2**	**252.9**	**163.6**	**96.3**	**250.4**	**-**	**18.4**	**-**	**2,537.1**	**1,615.0**

In 2019, loans were approved for 40 countries (excluding multi-country loans), including at the top of the table Côte d'Ivoire, Tunisia, Argentina, India, Panama, Ukraine, Gabon, Egypt, Turkey and Kenya.

The breakdown of loan approvals by sector is very uneven and notable for the dominance of the financial institutions sector with €892M, representing 50% of loan approvals, divided between banks, microfinance and non-bank financial institutions. The infrastructure sector, in second place, represented €623M, accounting for 35% of total approvals. The corporate sector amounted to €271M, representing 15% of own account loan approvals.

For the equity investment activity, 59% of approvals involved investment funds and 41% direct investments, primarily dominated by the corporate sector.

Statement of Non-Financial Performance

Background

The Agence Française de Développement (AFD) group finances and supports transitions in all the territories where it operates to create a fairer and more sustainable world. It implements the priorities defined by the government in the field of development policy, in accordance with France's international commitments, within the reference framework determined by the United Nations with the Sustainable Development Goals (SDG) and by the Paris Climate Agreement. The last three years have seen a substantial increase in the resources devoted to development policy: in 2019, for the first time ever the Group's level of commitment approvals exceeded €14 billion. 2019 was also marked by the provision of €1.8 billion in grants, i.e. an additional one billion of commitment approvals in grants[(1)] compared to the previous year. The AFD Group is taking ever stronger action to create a "world in common".

The ambition of the corporate social responsibility policy (CSR) revised and specified for the 2018-2022[(2)] period, is to support the Group in its implementation of the 2030 Sustainable Development Agenda[(3)], through both its internal functioning and its operations. The AFD Group's CSR policy is declined in six commitments:

1) integration of sustainable development in its operations;

2) governance and ownership of societal responsibility;

3) transparency and dialogue with stakeholders;

4) professional ethics and financial exemplarity;

5) socially responsible and fair personnel management;

6) control of the direct social and environmental footprint.

The CSR policy covers all challenges relevant to the Group in a consistent manner, whether such challenges are external or internal. As such, it endeavours to drive AFD Group's excellence, consistency between its duties and the quality of its work, and cohesion within its teams.

The alignment between our missions, our societal responsibility policy and the continued excellence of our non-financial performance was acknowledged in 2019 through the Vigeo-Eiris rating. The overall ESG score obtained in this assessment is 74/100, corresponding to advanced performance, and making the AFD the institution with the highest score in its sector and in the Vigeo-Eiris[(4)] sphere.

Presentation of the Statement of Non-Financial Performance approach

Following the transposition of European Directive 2014/95/EU[(5)] pertaining to the disclosure of non-financial information, the "Grenelle 2" Act has been replaced, for financial years starting from 1 September 2017, by legislation requiring a Statement of Non-Financial Performance.

The goal is to replace the previously exhaustive requirements of Article 225 of Grenelle 2 (detailed list of pre-established and identical CSR Information, regardless of the entity in question) with a more proactive and tailored approach.

This statement provides information on the manner in which the Group monitors the social and environmental consequences of its activity and – for listed or related entities, including AFD – the effects of this activity on human rights and the fight against corruption and tax avoidance. As such, it details:

- the business model;
- the main risks related to the company's activity, including, when relevant and proportionate, risks created by its business relations, products and services;
- the policies and action plans implemented to control these risks;
- the results, including key performance indicators.

As an entity whose securities are permitted in negotiations on a regulated market, the AFD is required to produce this new statement, as from financial year 2018. The chosen methodology is set out in the methodology note (section 9 of the Statement of Non-Financial Performance), whereas the actual statement is included below.

(1) In accordance with the decision of the meeting of CICID (Committee for International Cooperation and Development) on 8 February 2018, which also sets the five following thematic priorities: international stability, education, climate, gender equality and health.

(2) Adopted by the AFD Board of Directors in March 2018. It is available on the AFD site: https://www.afd.fr/sites/afd/files/2018-08-04-21-40/afd-group-corporate-social-responsibility-policy-2018-2022.pdf.

(3) Adopted on 25 September 2015 by Heads of State and Government gathered at a special Sustainable development summit, the 2030 Agenda sets 17 Sustainable Development Goals (SDGs) rolled out as 169 targets to meet the challenges of globalisation by focusing on the 3 components of sustainable development: the environment, social aspects and the economy.

(4) Non-financial rating not demanded during the Vigeo-Eiris September 2019 assessment cycle within the "Specific Purpose Banks and Agencies – Europe" sector, during which AFD emerges as the institution with the best rating in the sector, the region and the Vigeo-Eiris sphere.

(5) Order No 2017-1180 of 19 July 2017 regarding the disclosure of non-financial information by some major companies and some groups of companies, and Decree No 2017-1265 of 9 August 2017 implementing Order No 2017-1180 of 19 July 2017 regarding the disclosure of non-financial information by some major companies and some groups of companies.

2.1 The business model

Under Chapter 1 of this document (Activities of Agence Française de Développement Group in 2019).

2.2 Identification of the main non-financial issues and risks

Pursuant to the transposition into the French law-books of Directive 2014/95/EU pertaining to non-financial reporting by companies (see above), the Statement of Non-Financial Performance is based on the main non-financial risks and issues facing the AFD Group.

i. The priority risks were identified through an operational risk mapping exercise. A real risk management tool, this exercise consists in (i) listing and assessing operational risks[1] and (ii) for each of them, identifying the means of control, checks in place, and any action plans that will help improve risk management.

   Each structure identifies and lists three types of risk in its mapping:

   - risks generated by its activity;
   - risks with a significant and specific impact on its activity;
   - risks it helps to manage (to detect, prevent, monitor and/or manage when it occurs).

   The mapping of operational risks is regularly updated using a bottom-up approach, i.e. the risks are identified and rated by the business lines, at the lowest level of the organisational chart). The risk guideline is shared by all the Group's structures. It comprises 80 risks, classified in 7 categories[2]. In the last update, special attention was paid to risks associated with the Information System.

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

   AFD Group conducted an initial materiality analysis in 2015, based on the issues predefined by the GRI[3]. The analysis initially identified the 58 CSR issues falling within the scope of the Group's activity. Then it short-listed the issues considered to be the most significant, based on document analysis, benchmarking conducted on similar institutions and interviews with senior management. This resulted in a list of 16 material issues that were approved by Senior Management.

   This materiality analysis was updated in 2017. To take account of changes in the international context and French society, and to reflect changes in the Group's strategy. Some of the issues were reformulated and four new issues were added:

   - impact of activities on local communities and indigenous populations;
   - promoting diversity within teams;
   - employee support as part of the Group's transformation (agility, stress management, well-being);
   - synergies with the private economic sector to benefit the SDG.

These issues were then prioritised by means of a ranking produced by internal and external stakeholders[4], in order to obtain the updated materiality matrix shown in Appendix 10.

(1) *Based on banking regulations, the operational risk for financial institutions is "the risk of losses resulting from inadequate or failed processes, employee and internal systems or external events".*

(2) *The seven categories of potentially risk-generating events defined by the Basel Committee on Banking Supervision (Basel II) are as follows: internal fraud; external fraud; employment and job security practices; clients, products and commercial practices; damage caused to physical assets; interruption of business and malfunctioning systems; execution, delivery and management of processes.*

(3) *Global Reporting Initiative, NGO.*

(4) *For the rating of the issues, a questionnaire was sent to 106 people (of which 41 are outside the Group); 45 people answered (of which 17 people outside the group).*

For the purposes of the Statement of Non-Financial Performance, AFD Group led a review of priority issues and risks at the end of 2018. This exercise was managed by the Strategy Department (responsible in particular for the corporate social responsibility process) and the Finance Department, in collaboration with the Risk Department. The review was underpinned by an analysis of the AFD Group's main strategic documents and by interviews conducted internally. In particular, it consisted in examining the mapping of the Group's operational risks and in comparing it with its materiality matrix of non-financial issues. It was performed in three stages:

- review of the presentation of risks and the coverage of main risks;
- review of the information on the risk identification, ranking and approval process;
- review of the link between non-financial risks and the overall risk mapping, and alignment with the material issues presented.

The review made it possible to target the main non-financial risks presented in the Statement of Non-Financial Performance and to refine their correspondence with non-financial issues, leading to the list of 15 issues associated with these risks guiding the Statement of Non-Financial Performance. The 2019 Statement of Non-Financial Performance follows this structure (see table below). The formulations have been modified to more accurately reflect the scope of the risks that are effectively reported.

Issues included in the materiality matrix	Risks associated with each issue	Correspondence with Statement of Non-Financial Performance
Transparency of granted funds	• Risk that financing beneficiaries and customers may find it difficult to program their operations within known and controlled deadlines	§ 2.5.1
Dialogue with stakeholders	• Risk of discrepancies between the expectations and requirements of the stakeholders and AFD's services (projects funded)	§ 2.5.2 § 2.4.3.3 § 2.6.1
Management of impacts	• Reputational risk related to the projects' negative impact on the population or environment • Risk of non-compliance with procedures for managing recipient complaints	§ 2.3 (2.3.1, 2.3.2)
Coordination with development actors	• Risk of lack of coordination with the other actors (international and European lessors, civil society organisations) for the financed projects • Risk of non-compliance with delegated fund management procedures	§ 2.6 (2.6.1, 2.6.2) § 2.4.3.3
Stronger project management	• Risk of non-compliance with procedures and contractual clauses by project managers	§ 2.6.3
Impact on the SDGs	• Reputational risk related to misalignment between the projects funded and the strategic areas defined by the SDGs and the Paris Agreement (misaligned interests)	§ 2.4 § 2.6
Impact on climate change	• Reputational risk related to discrepancies between the projects funded and the strategic areas defined by the SDGs and the Paris Agreement	§ 2.4.3
Analysis of environmental risks	• Risk of non-compliance with AFD's obligations in terms of impact analysis and compliance with environmental standards	§ 2.3 (2.3.1, 2.3.2)
Impact on local communities	• Risk of discrepancies between the funding offered and the operational context • Risk of non-compliance with AFD's obligations in terms of impact analysis • Risk of non-compliance with procedures for managing recipient complaints	§ 2.3 § 2.4 § 2.5.2

Issues included in the materiality matrix	Risks associated with each issue	Correspondence with Statement of Non-Financial Performance
Accountability for correct use of financing granted.	• Risk of non-compliance with fraud, anti-money-laundering and counterterrorist financing procedures • Risk of no information feedback due to the absence of a whistleblowing mechanism • Risk of misappropriation of financial aid, of corruption and fraud • Risk of participation in mechanisms involving tax fraud	§ 2.7
Professional ethics	• Risk of non-compliance with the Professional Ethics Charter • Risk of impropriety by an employee	§ 2.8.1
Skills development	• Risk of no or insufficient staff training	§ 2.8.2
Transparency of social information[(1)] (employee dialogue)	• Risk of no in-house dialogue on social issues • Risk of employment practices and psychosocial risks	§ 2.8.3, 2.8.4
*Health/safety of staff**	• Risk of serious bodily harm to an employee following a malicious act • Risk of non-compliance with safety rules by employees when performing their duties	§ 2.8.4
*Compliance**	• Risk of non-compliance with regulations	§ 2.7

(1) The issue formulated as such in the materiality matrix covers employee dialogue and relations.
** Issue not included in the current materiality matrix.*

2.3 Managing the risks and impacts of our action

AFD Group incorporates corporate social responsibility into its governance system and its activities. As such, it takes measures to assess and manage the environmental and social risks (E&S) of the operations it funds. It implements procedures to identify, prevent or mitigate environmental and social damages, as well as any human rights violations that may arise from these activities. The environmental and social assessment applies to all stages of the project cycle, from identification to approval of funding, and ex post monitoring and assessments.

This approach is completed by two systems for handling environmental and social complaints, respectively for AFD and for Proparco (see below). They contribute to management of an operational risk. These systems make it possible to envisage reparation when it has not been possible to avoid, reduce or compensate for harmful or unexpected environmental and social impacts by means of the provisions of the E&S management plans for projects the funding of which is implemented by AFD or by Proparco.

Generally, they strengthen the Agency's transparency and accountability practices by relying on the experience of other sponsors through discussions within the international network IAMnet (Independent Accountability Mechanism Network).

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

2.3.1.1 Management of AFD E&S impacts

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

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

- it is ongoing in the sense that various actions must be carried out at every stage of the project cycle (identification, feasibility, assessment, decision-making, contractualisation and supervision) and these actions form part of a continuum;
- moreover, it is differentiated and proportionate insofar as the nature and scope of the actions to be implemented under the process are adapted to the significance of the E&S risks to be managed.

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

In order to determine ex-ante the means to be engaged within this framework, by AFD and recipients of funding, the E&S risks of the operations are categorised, distinguishing between four levels of risk for direct financing projects: High risks (category A), Important risks (category B+), Moderate risks (category B), or Low risks (category C) - and three risk levels for projects financed via financial intermediaries (IF): IF portfolio with High risks (FI-A), Moderate risks (FI-B) or Low risks (FI-C).

Accordingly, for 2019, the environmental and social risks of AFD's portfolio are broken down as follows, in terms of number of projects and amounts granted, respectively:

Environmental and social risks of AFD's portfolio in 2019, in number of projects granted (foreign States)

E&S risk	Number of projects	%
A	17	6.34
B+	35	13.06
B	87	32.46
C	99	36.94
IF-A	18	6.72
IF-B	6	2.24
IF-C	6	2.24
TOTAL	**268**	**100.00**

Environmental and social risks of AFD's portfolio in 2019, in amounts granted (foreign States)

E&S risk	Amounts granted (€M)	%
A	1110.47	11.45
B+	2166.10	22.34
B	2727.93	28.13
C	1372.82	14.16
IF-A	1999.56	20.62
IF-B	278.40	2.87
IF-C	41.91	0.43
TOTAL	**9697.19**	**100**

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

2.3.1.2 AFD environmental and social complaints system

The AFD environmental and social (E&S) complaints system is an extra-judicial system allowing any person or group of persons attached from an environmental or social point of view by a project financed by AFD to submit a complaint. It promotes a constructive approach, based on seeking solutions out-of-court. Its functioning (eligibility criteria, methods for processing eligible complaints by reconciliation and/or a compliance audit) is described in the System regulations, available on the AFD website.

Two years after it was created, the AFD System has seen its activity increase in 2019. Twelve new complaints were received during the year, of which four are being processed and one is being monitored. All complaints received in 2018 have been closed.

Number of complaints

Year	Received	Closed	Being processed	Being monitored
2017	2	1	0	1
2018	8	8	0	0
2019	12	7	4	1
TOTAL	**22**	**16**	**4**	**2**

In 2019, the System tested a more adaptable operating mode, involving simultaneous use of a renewed pool of experts, a newly created Eligibility Committee and the possibility of having access to the expertise of the AFD internal mediator in the reconciliation phases. This operating mode increased flexibility, and prepared the System for handling a larger number of claims, more diverse in nature.

Of the twelve claims received in 2019, seven were closed after being transferred to the relevant departments (contract awards, allegations of fraud or corruption), to the competent sponsor or after facilitation with an out-of-court settlement with the project management. Four complaints are being processed in respect of 2019. For one complaint, received in 2017, the Secretariat continues to monitor the AFD action plan and mediation agreement, resulting from the compliance audit performed in 2018.

After three years of activity, and several cases to its credit, in 2020 the System will be in a position to draw up an initial assessment of its experience and the results achieved thanks to its action.

2.3.2 PROPARCO's management of environmental and social impacts, and the procedure for managing complaints

2.3.2.1 Management of Proparco E&S impacts

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

Its approach is based on IFC performance standards, the principal fundamental conventions of ILO, methodologies defined by the Corporate Governance Development Framework concerning corporate governance best practices, and also United Nations guiding principles relating to enterprises and human rights.

It consists of:

(i) assessing the environmental and social impacts and risks of each project submitted to Proparco's decision-making bodies, and the countermeasures envisaged by the beneficiaries of the financing;

(ii) proposing additional measures to implement by customers aiming to avoid or limit these risks, or compensate for their effects;

(iii) monitoring proper implementation of these measures during the operation execution phase;

(iv) ensuring satisfactory management by the project of contingencies that have negative environmental and/or social impacts; and

(v) supporting the customer, where necessary, to strengthen their capacities to manage and implement their environmental, social and governance performance.

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

The two tables below present the potential risk classification of a project. It is determined in the initial analysis phase, and does not subsequently change. The classification ranges from A (high risk) to C (low risk), to which the IF prefix is added, for financial intermediaries. Projects rated IF-A, A, B+ as well as investment funds rated IF-B undergo detailed due diligence. A comparison with the classification of the overall portfolio highlights an increase in IF-B projects and a decrease in B+ projects.

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

Ex-ante environmental and social classification of Proparco projects signed in 2019 and of the portfolio

Risks (E&S classification)	Number of projects signed in 2019	% of projects signed in 2019	% of Proparco portfolio projects as at 31/12/2019
A	11	15%	17%
B+	9	12%	18%
B	4	5%	8%
IF – A	11	14%	20%
IF – B	29	38%	28%
IF – C	12	16%	9%
GRAND TOTAL	**76**	**100%**	**100% (541 PROJECTS)**

Environmental and social risks in the Proparco portfolio in 2019, in amount signed (EE)

E&S classification	Audit	Percentage
A	€275,598,817	19%
B	€38,433,275	3%
B+	€174,316,157	12%
IF-A	€315,550,412	22%
IF-B	€541,753,383	38%
IF-C	€94,192,536	7%
GRAND TOTAL	**€1,439,844,580**	**100%**

The table below presents one of the indicators used for environmental and social monitoring of projects, the environmental and social performance (E&S). It has been drawn up by environmental and social experts, and corresponds to effective implementation in the field of measures to manage environmental and social challenges of projects in the reference framework of IFC standards. The comparison of E&S performance of projects signed in 2019 (before signature) underlines that on average, after signature the E&S performance of the projects undergoes a positive change on the Proparco projects (reduction in proportion of "poor" E&S performance and increase in proportion of "good" performance).

Environmental and social performance levels of projects signed in 2019 and of the Proparco portfolio.

Environmental and social performance	% of projects signed in 2019	% of Proparco portfolio projects as at 31/12/2019
Excellent	19%	16%
Good	19%	32%
Average	27%	31%
Poor	35%	21%
TOTAL NUMBER OF PROJECTS FOR WHICH E&S PERFORMANCE IS CALCULATED[(1)]	**52**	**223**

(1) E&S performance is not calculated for low risk projects, type B, IF-C or certain IF-Bs.

2.3.2.2 Proparco system for processing complaints

In 2019 Proparco set up a System for Processing Environmental and Social Complaints enabling any person or group of persons who feel they are negatively impacted by environmental or social aspects of a project whose funding has been implemented by Proparco to submit a complaint and to be heard by independent experts[1].

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

If the complaint does indeed concern a project the funding of which has been put in place by Proparco, if the complaint does not correspond to one of the exclusion cases specified in the System's documentation, and if the complaint file is complete (complying with the contents described on the Proparco website), it is sent to a panel of independent experts who first of all give a ruling on its eligibility, in compliance with the System's regulations.

Once a complaint has been declared eligible, two processing methods are offered:

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

  In this case, the panel will work with the plaintiff and the project sponsor to develop an appropriate process to deal with the problems raised by the complaint. This may include information sharing, discussion support, or mediation to find a solution acceptable to all parties. The panel of independent experts does not then adopt a position concerning the truthfulness of the allegations, and will not seek to determine liability or to impose a solution.

In certain particular cases, the two approaches can be combined.

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

In its first year of operation, the Proparco Environmental and Social Complaints Processing System did not receive any complaints.

2.3.3 Human rights due diligence

The appraisal procedures of each operation obligatorily included the social risk assessment. The issue of applying international human rights standards is thus constantly on the agenda and integrated into the assessment and implementation of all projects, whatever the shape or form. To this end, AFD Group relies on the IFC's performance standards and the World Bank's environmental and social standards. The human rights issues covered by these standards enable us to address matters related to:

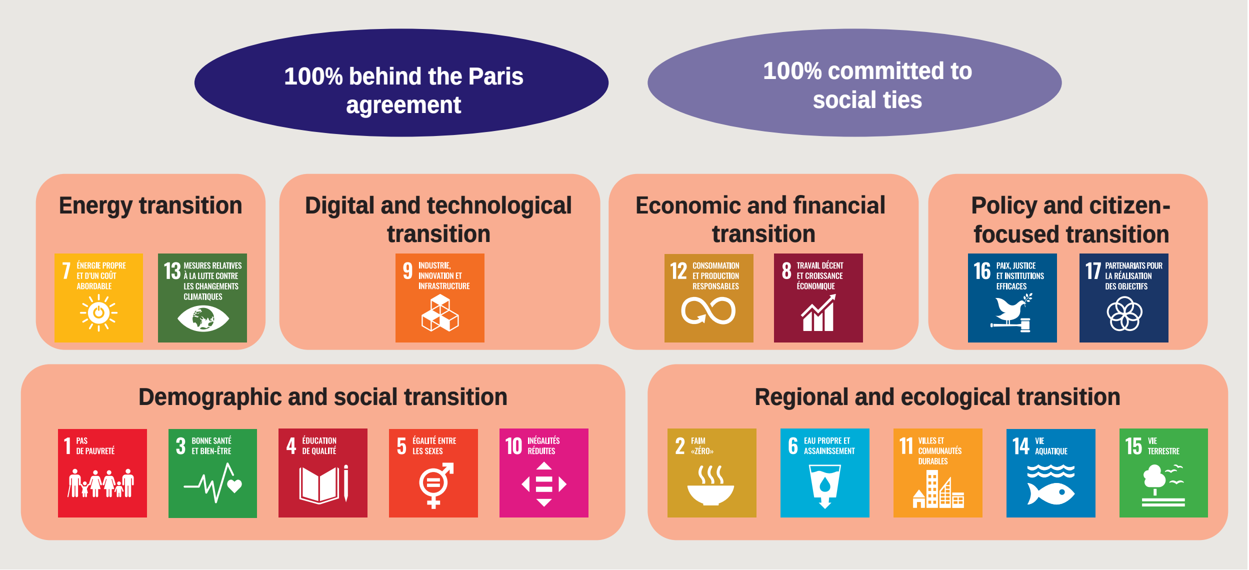
- working conditions and labour protection (in particular the fight against forced and child labour);
- the health and safety of communities potentially affected by projects (in particular potential violence against such communities);
- the acquisition of land and involuntary resettlement (in particular to prevent forced evictions);
- the rights of indigenous populations.

Where necessary, the implementation of these standards is accompanied by the establishment of complaint management systems with respect to AFD and Proparco projects, making it possible to collect and process potential complaints by people affected by those companies. The financing agreements signed with partners and recipients must necessarily mention the commitments made by counterparties to respect the rights of persons potentially affected, and reiterate the compliance with the ILO's fundamental conventions in such a manner as to make them legally binding.

(14) https://www.Proparco.fr/en/icm.

2.4 The Group's contribution to sustainable development

Adopted in 2018, the AFD Group's Strategic Orientation Plan places its action within the framework of the Sustainable Development Goals (SDG) and the Paris Climate Agreement, while promoting social ties, in order to help build "a world in common". Accordingly, the AFD Group is responsible for helping to achieve the 17 goals of the 2030 Agenda by supporting six transitions: demographic and social, energy, territorial and ecological, digital and technological, and political and public[1].



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

The Group checks the validity of its operations in the geographical and sectorial environments in which it operates, and conducts regular impact and result assessments.

In order to ensure that sustainable development issues are taken into account in the financed projects, and to guarantee they are consistent with the adopted strategies, in 2014 AFD started to use a "Sustainable development Analysis and Opinion" tool. This system consists of (i) an analysis conducted by the Operations Department project team during the appraisal, providing the wherewithal to assess the expected effects (positive, neutral or negative) for each aspect of sustainable development[2], and (ii) of a sustainable development opinion given by the Sustainable Development Analysis and Opinion unit, in the Strategy Department. This opinion appears in the notes sent to the decision-making bodies (in particular the Board of Directors).

2.4.1 Impact of AFD's activity

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

(1) *https://www.afd.fr/en/ressources/afd-group-2018-2022-strategy.*
(2) *The six dimensions of the sustainable development analysis are: (i) sustainable growth and resilient economy; (ii) social well-being and reduction of social imbalances; (ii) gender equality; (iv) biodiversity preservation, management of natural environments and resources; (v) climate: transition to a low carbon trajectory (v-a) and resilience to climate change (v-b); (vi) long-term effects of the project and governance framework.*

2019 AFD ex-ante result indicators[1]

SDG[2]	Categories	Indicators	Annual volume
SDG 9	Transport	Daily volume of passengers using new or modernised public transport	1,868,00
SDG 11	Low-income neighbourhoods	People whose housing conditions, access to public spaces or to collective social urban facilities have been improved	2,123,433
SDG 7	Energy	People benefiting from an improvement in electricity services	3,870,000
		Establishment of renewable energy capacity (Mw)	1,712
		People benefiting from access to sustainable electricity services	5,307,000
SDG 6	Water and drainage	People benefiting from a securely managed drinking water supply service	6,564,300
		People benefiting from an elementary drinking water supply service	
		People benefiting from a securely managed sanitation service	3,381,780
		People benefiting from an elementary sanitation service	
SDG 4	Education and employment	Children enrolled in primary and junior school	1,923,199
		People benefiting from vocational training	150,092
SDG 8	Micro-finance and economic fabric	Small businesses benefiting from financial aid or funding	2,212
SDG 15	Agriculture	Family farms whose economic performance has improved	254,172
SDG 3	Healthcare	Number of people with improved access to healthcare	13,935,476
SDG 8	Employment	Full-time equivalent (FTE) jobs supported by AFD in the private sector and public enterprises	172,893
SDG 1, 6, 7, 11, 12 and 15	Essential goods and services	Final beneficiaries of essential urban G & S	6,436,782

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

The impact of AFD's financing activities can also be assessed via the sector-based breakdown of its commitments and through their typology. The amount in euros of AFD's financing approvals in foreign countries and in the French Overseas Departments and Collectivities as well as their typology is broken down based on the activity sectors within the meaning of the OECD CAD.

Breakdown of AFD's approvals by sector of activity

	Year	
Approval *(in euros)*	**2019**	**2018**
CICID sector[3]		
Agriculture and food safety	545,547,989	935,380,261
Water and drainage	1,206,850,276	914,276,869
Education	864,806,988	267,648,219
Environment and natural resources	930,005,136	702,694,942
Infrastructure and urban development	4,092,524,238	2,981,991,758
Health/AIDS	485,390,145	444,531,629
Business, industry and trade	2,073,219,336	1,538,262,809
Excl. CICID	1,883,741,453	1,058,119,084
GRAND TOTAL	**12,082,085,561**	**8,842,905,570**

(3) *Committee for International Cooperation and Development.*

(1) *These indicators are tracked in conformity with Act 2014-773 of 7 July 2014 on Guidance and planning related to development and international solidarity, a.k.a. LOPDSI. Some indicator labels have been modified since 2018 in order to adjust them better to the SDGs and/or to clarify them to make them closer to operational reality.*

2.4.2 Impact of Proparco's activity

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

Its 2017-2020 strategy reflects the determination of the French government and international community to increase public aid for development in support of these transitions, through the private sector.

This strategy aims to:

(i) triple its direct impact on the development and transitions of countries,

(ii) support the improved CSR of players and implement and support the transitions, and

(iii) redirect investments by increasing Proparco's "engagement effect" with respect to financing flows, in particular of a private nature, and its capacity to unlock investments in target countries.

To support this strategy focused on the institution's impact and added value, in 2018 Proparco created a dedicated department (Support for Sustainable Development) enjoying greater resources and positioned at the same hierarchical level as the operating departments. It brings together, in three units, Proparco's experts in the areas of (i) environment, social and governance, (ii) impact monitoring and analysis and (iii) company support and the mobilisation of mix resources. In addition, in 2019 Proparco published its first Sustainable Development Report[(1)].

The effects that projects are expected to have on development are identified based on quantity and quality indicators the data for which is provided by project managers with the support of the Impact Measurement Unit, by means of business plans, project studies, and discussions with the customer.

The strategic impact objectives prioritised by Proparco are linked to the number of jobs supported, the number of tonnes of CO_2 avoided, access to essential services or goods (education, healthcare, electricity, water and sanitation, financial inclusion) and to ESG support and innovation. They make a significant contribution to achieving several Sustainable Development Goals[(2)].

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

Additionally, linked to the "Climate and Development" (2017-2022) strategy adopted by the AFD Group, Proparco undertakes to ensure all its financing contributes to or integrates eventually into low carbon resilient development. There, whenever necessary the appraised projects are analysed to ensure they are consistent with the objectives of the Paris Agreement.

Of the 85 projects signed this year, 72 have undergone an ex-ante estimation of the expected impacts which have been recorded[(3)].

In 2019, the methodology for calculating indicators relating to jobs and access to essential goods and services was changed in order to improve the estimates. The figures below take account of these changes and present the results of the expected ex-ante impacts of the 72 projects.

(1) https://www.Proparco.fr/en/ressources/sustainable-development-report-2018.

(2) Notably SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 7 (Clean and affordable energy), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 9 (Industry, innovation and infrastructure), SDG 12 (Responsible consumption and production) and SDG 13 (Measures to combat climate change).

(3) Of the 13 projects where the expected impacts have not been recorded:
- 6 projects are top-ups where the ex-ante impacts were recorded when the financing was first granted;
- 3 projects have been appraised as fast-track, their ex-ante impacts have not been estimated;
- 3 Trade finance guarantee projects and 1 Capital requirements project were outside the "impact" scope in the appraisal.

2019 Proparco ex-ante result indicators[1]

SDG	Indicator	2019 value
Economic fabric SDG 8	Net added value in the economy by means of salaries, rents, local benefits, etc. paid by our businesses *(€M)*	684
	Contribution to GDP through our renewable energy production infrastructures *(€M)*	60.2
	Creation or preservation of direct jobs	41,724
	Creation or preservation of indirect jobs	1,576,964
SDG 17	Public revenue *(€M)*	965
SDG 7 & 13	Climate: Tonnes of CO_2 eq avoided	3,048,044
	Energy: renewable energy capacity established (MW)	1,896
Access to basic goods and services (SDG 3, SDG 4, SDG 7, SDG 8, SDG 10)	Number of people benefiting from improved access to essential services or goods *(in millions of people)*	11.8
	of which Energy: access to green electricity (thousands of people)	8,539
	of which Healthcare: new/improved access to a healthcare service (medicines and/or medical analysis services, in thousands of people)	2,987
	of which Microfinance: access to microcredit (millions of people)	232
	of which Education: access to education (thousands of people)	20.7
	Education: number of graduates expected in 2024, in thousands	10.7
SDG 12	Projects receiving ESG support	38[2] projects (120 companies supported since 2017)
SDG 9	Innovative projects	16

(2) These indicators have been calculated based on methodologies reviewed in 2019. The aim of these changes to methodology is to harmonise practice within the EDFIs (European Development Finance Institutions).

In 2019 Proparco wished to strengthen monitoring and assessment of projects' impacts. The Impact Measurement Unit conducted a mission to analyse the real impacts obtained in 2018 by projects signed in 2015 and 2016, to compare the ex-ante (advance) forecasts with the results effectively obtained, and to identify the most effective ways to support impact objectives.

2.4.3 Impact of the Group's activity on climate change

2.4.3.1 The 2017-2022 Climate Development strategy

AFD Group's commitment to the climate has become a key feature of its action. The Group has been committed to this global challenge for more than 10 years. It further strengthened its climate ambition by joining the momentum created by the Paris Agreement and Sustainable Development Goals. Accordingly, in November 2017, the AFD Board of Directors adopted a new "Climate and Development" strategy for 2017-2022, based on four goals:

i. **Ensuring its activity is "100% Paris Agreement": making all the Group's financing consistent with resilient and low-carbon development, in particular by adopting a new framework of questioning for the "sustainable development" analysis of projects;**

ii. **Increasing climate finance volumes: 50% of the Group's annual financing in foreign countries targets projects with co-benefits for the climate, reaching €5bn per year for climate protection by 2020, of which €1.5bn is devoted to adaptation measures;**

iii. **Redirecting financial and investment flows: maximising the knock-on effect of its financing to redirect private and local investments; developing new high-volume, high-impact instruments; and integrating financial climate risks (physical and transition-related) in its risks analysis and credit decision processes;**

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

(1) These indicators have been calculated based on methodologies reviewed in 2019. The aim of these changes to methodology is to harmonise practice within the EDFIs (European Development Finance Institutions).

2.4.3.2 AFD's climate financing in 2019

In 2019, the AFD Group financed 273 climate protection projects in foreign countries, for a total amount of €6.1bn in financing (an increase of nearly 27% compared with 2018). In this way, 50% of the Group's financing produces co-benefits for the climate, thereby achieving the goal set in 2012 that was renewed in its Climate and Development strategy.

The climate projects financed in 2019 cover two areas, namely:

- climate change mitigation: €4.1bn in financing;
- adaptation to the impacts of climate change: €2bn in financing;

The Group's climate finance volume in 2019 exceeds the goals set in its Climate and Development strategy one year ahead of schedule, i.e. "to reach €5bn of climate finance volume, including €1.5bn for adaptation in 2020".

61 mitigation projects will help to avoid 9.8 $MtCO_2e$ every year throughout their life cycle.

Moreover, the Group is continuing its action in the area of Climate Bonds, which it first issued in 2014 with its first 10-year Climate Bond for €1bn. AFD has committed to the "Green Bond Principles" and applies principles such as justification of the use of funds, monitoring of cash flows, as well as a recommendation and robust reporting on the structuring of its bonds. Following the adoption in 2017 of a new programmatic framework and the expansion of the types of projects backed by its climate bond issues to better reflect the diversity of the Group's actions, it aims to position itself on the market as a regular issuer of climate bonds. At 31 December 2019, Climate Bonds outstanding reached €2.25bn.

2.4.3.3 A stronger partnership strategy

AFD continues to play an important role within networks of players in the financing of development and climate issues.

In 2017 AFD became Chair of the IDFC Club - International Development Finance Club – which brings together 26 national and regional development banks, through the AFD. In October 2019, this position was renewed for two more years. This appointment demonstrates the confidence IDFC members have in the work AFD has carried out within the Club since 2017.

In 2019, AFD also played an active role in the One Planet Summit event, in terms of both organisation and content. AFD took part in organising the One Planet Summit in Nairobi on 14 March 2019, which highlighted African stakeholders committed to the subjects of renewable energy, forests and adaptation. At this event, the President of the Republic, Emmanuel Macron announced thanks to the AFD's results an increase in the French contribution to the Solar Alliance from €1bn to €1.5bn by 2022, and the creation of the AFD Biodiversity Facility. AFD continued to report in a transparent manner on all the initiatives and commitments made in the context of the One Planet Summit[(1)] In June 2019, on the initiative of AFD, the IDFC Club and the Green Climate Fund signed a statement of partnership, to work together to increase financing for the climate and to fight more effectively against climate change.

As a French institution and in its role as Chair of the IDFC, AFD also provided its support for the Climate Summit of the Secretary General of the United Nations in September 2019. AFD mobilised members of the IDFC to commit to providing $1 trillion of climate finance by 2025, signed a strategic partnership with the Green Climate Fund, published the results of an independent study carried out by I4CE and CPI on alignment with the Paris Agreement, created an IDFC Climate Facility and encouraged individual contributions from IDFC members on the end of coal financing.

AFD continues its collaboration with the Green Climate Fund. It was accredited in 2015, and benefited from a framework agreement in 2017. In October 2019, at the 24th Meeting of the Green Climate Fund Board, a project for re-use of water and irrigation in Palestine was approved for a total amount of €49.3M. The project will also finance development of a solar photovoltaic system to operate the wastewater treatment plant, once more asserting AFD's commitment to the territories most vulnerable to climate change. This is the 4th AFD project to be approved by the Green Climate Fund, following i) the programme to combat flooding risks in urban environments in Senegal (AFD financing of €50 M), ii) project to develop irrigation and to adapt agriculture to climate changes downstream from the Kaddoussa dam in Morocco (AFD financing of €41M), and iii) large scale programme entitled "Transforming financial systems for the climate" (US$750M, of which €280M from the Green Climate Fund) to locally accelerate reorientation of investment flows towards low carbon resilient development.

The strategic dialogue on climate between AFD and French civil society organisations strengthened in 2019. Several meetings and discussions took place during 2019 to explain how the 100% behind Paris Agreement objective was made operational in particular. In 2019, a Committee of climate strategy partners consisting of French CSOs and other civil society actors met twice to strengthen links with CSOs. Many subjects were covered in these meetings, including alignment with the Paris Agreement, financial climate risks, IDFC and the international climate agenda.

2.4.3.4 Direct environmental footprint and carbon offsets

The low carbon trajectory, aligned with the 100% Paris Agreement and 100% Social Ties commitments, is implemented within the AFD Group and its value chain by operational measures to adapt to climate risks.

The AFD Group is mobilising to control its direct greenhouse gas emissions by taking action simultaneously to reduce these emissions and to offset them through actions contributing to the SDGs. The annual assessment of the Group's climate footprint enables us to identify our organisation's strengths and vulnerabilities.

(1) https://www.afd.fr/fr/one-planet-summit-suivez-la-realisation-de-nos-engagements.

In 2019, although the variation in GHG emissions assessed for the head office increased by 13% overall, this is an increase limited to 3.6% per employee for 2019 (i.e. 16.7 tCO_2e per employee, at the same level as in 2018). The overall increase in the Group's emissions mainly originates from the inputs and energy item. It is attributable to the increase in manpower combined with provisions for real estate, equipment and professional missions inherent to the Group's activity. The Network carbon balance is produced each year at the end of the first half year N+1, and so we can communicate the figures for 2018: on average an office emits 147 tCO_2e, and on average a network employee emits 11 tCO_2e.

To support the energy transition, the AFD Group is taking action on all its sites. At the head office in Paris, the impact reduction objective is included in an energy performance contract, by means of a more precise building management system, reducing the electricity consumption by 2.2% (Barthes and Mistral sites) over one year. To change the energy supply mix it is necessary to make use of renewable energy. At the head office, and at the Barthes and Mistral sites, 100% of the electricity consumed is generated from renewable energy sources, including the photovoltaic modules at the Barthes site which generated 11,523 kWh in 2019. This commitment is extending to the network. For example, most of the N'Djamena office energy needs are met by means of its photovoltaic plant.

In addition, to combine transitions in energy, digital and technology, AFD has decided to use a pooled Datacentre with storage of data hosted in the form of a "private cloud". Installation of new storage racks reduced electricity consumption by 23% between 2018 and 2019.

Other measures are contributing to mitigating our environmental impact. For low carbon mobility aligned with the objectives of "mobilities" legislation, the head office doubled the number of bicycle parking stands in 2019. Local initiatives are encouraged; the Abidjan and Dakar local offices are encouraging staff to car pool.

Business travel is the largest item in the Group's carbon balance. It is inherent to our missions and our many locations (85 local offices in the world, we operate in 110 countries), and reducing it is a challenge bearing in mind the scale of the Group's action. AFD has worked hard to reduce its impact. Although head office manpower increased by 9%, GHG emissions due to business travel only increased by 3.61%. To reduce its emissions, in 2019 AFD conducted an analysis and study in order to optimise travel.

Finally, in order to develop frugal use of resources, in 2019 AFD took action such as eliminating plastic cups and bottles from the head office - and also in offices such as at Santo-Domingo, effectively reducing the production of plastic waste. This commitment is also reflected at the level of the Board of Directors, with digitisation of all the files that are sent. Dematerialisation of notes enabled a 30% reduction in paper consumption.

With respect to issues relating to biodiversity, AFD is also committed to minimising the impact of its direct footprint wherever it is present. For example, for corporate catering at the head office, 50% of produce used originates from organic agriculture. Efforts are also being made in this area within the network. For example, the Vientiane office uses a cooperative in order to consume produce originating from organic agriculture.

Finally, at the level of the Group, to adopt a carbon neutral approach for its activities, every year since 2009 AFD has offset the organisation's residual emissions. Accordingly, in 2019 AFD supported the Hifadhi-Livelihoods project in Kenya and Clean Water project in Ethiopia, labelled Gold Standard and both generating considerable environmental and social co-benefits. This is how AFD is reinforcing its action to combat climate change in the regions where it operates.

2.4.4 Impacts related to the Group's activity in reinforcing social link

In 2019 the AFD Group continued to deploy its strategic commitment to become a "100% Social Ties" Agency. 2019 saw strategic work carried out aiming to specify the concept of social ties. The strategy for this commitment will be finalised and presented to the Board of Directors in 2020.

In 2019 AFD continued to ramp up its action in favour of gender equality. AFD provided more than €4.8bn for Gender CAD1 projects (specific objective) and CAD 2 projects (main objective) via loans and grants. €740M for CAD 2 projects (loans and grants) were committed during the year, and 48.5% of AFD projects incorporate gender equality (CAD 1 and CAD 2 projects).

In 2019, AFD's activity in the field of cultural and creative industries underwent an increase with granting of 12 projects, concentrated in Africa and high priority countries. In particular, AFD was active concerning issues to do with African heritage in Benin, Cameroon and also Ethiopia where the Agency was asked to finance rehabilitation of heritage sites and construction of museums to increase circulation of African works of art. Support for the audio-visual sector and digital cultural industries was reinforced.

In 2019 AFD ramped up its action in favour of sport to provide cross-cutting leverage to achieve SDGs. As a result of the deployment of this strategy adopted in February 2019,[1] the first ever basketball court was inaugurated in the city of Zenata in Morocco as part of the partnership between AFD and the NBA. Two new emblematic agreements were signed in 2019: the first was with FIFA for empowerment of women and girls through football and promotion of football at school; the second was with the Senegal National Olympic and Sports Committee (CNOSS), envisaging in particular rehabilitation of sports infrastructures in low-income neighbourhoods of Dakar, looking ahead to the Youth Olympic Games in 2022. As a result of the first call for projects to support local initiatives, launched in 2019, roughly twenty Sport and Development projects received awards.

(1) https://www.afd.fr/fr/page-thematique-axe/sport-et-developpement

2.5 Transparency and dialogue with stakeholders

2.5.1 Transparency of funds granted

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

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

This policy aims to contribute to the effectiveness of the aid and to ensure accountability of the AFD Group's actions, in particular through the transparency of all funding granted, and to help legitimise France's Official Development Assistance policy. It is based on five principles: usefulness, openness, the Number and% of sovereign projects reported in IATI format protection of trust and sensitive information, attentive listening, and dialogue.

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

AFD is continuing to reinforce its policy to publish business data in the IATI format on its open data website[2]. At 31 December 2019, the published project data covered 66% of sovereign and non-sovereign projects in progress for amounts greater than €100K financed in all the countries where AFD operates. This represents a rise despite the increase in aid associated with the objectives to increase AFD commitments.

Number and% of sovereign and non-sovereign projects published in IATI format

Financial aid to be disclosed (number)	1,709
Financial aid disclosed (number)	1,124
Financial aid disclosed (%)	*65.77%*

2.5.2 Dialogue with stakeholders

Under its corporate social responsibility policy, AFD has entered into dialogue with its stakeholders. This dialogue helps take on board the wants and needs of stakeholders and stay as closely tuned to their concerns as possible.

The transparency and dialogue policy acknowledges this dialogue with stakeholders as a cornerstone of AFD's corporate social responsibility approach, insofar as it helps to factor social, environmental, ethical and human rights concerns into the Group's strategies. The strategic documents prepared by AFD, which determine its areas of operation with respect to sectors, regions and cross-business issues, are subject to stakeholder consultation (civil society organisations, regional government authorities, companies, research institutes, etc.) prior to submission to the Board of Directors. Once approved, these strategic documents are available on AFD's website. In 2019, AFD launched two digital consultations to enable all its stakeholders to react to the proposals for AFD's energy transition strategy and partnership strategy. The online consultation concerning the energy transition strategy took place from 17 January to 22 February 2019 and mobilised 243 external participants. The online consultation concerning the partnership strategy took place from 18 October to 8 November 2019 and mobilised 108 external participants. All these contributions were taken into account, summarised and published on the digital consultation platform[3].

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

When investigating and implementing the projects it supports, AFD ensures, through legal conditions and support processes, that the project owner consults with the various stakeholders.

For projects with significant environmental and social risks, the Agency applies the World Bank's Environmental and Social Framework. Revised in 2016, the Framework now includes measures regarding the responsibility to involve stakeholders at each and every stage of a project.

It is essential to engage in dialogue with local authorities, communities and associations regarding projects proposed for funding, in particular those presenting environmental and social risks, to take their opinions and concerns into consideration and thereby improve the living conditions of populations and the sustainability of projects.

(1) *The scope of this policy concerns AFD and its subsidiary Proparco, and provides for specific adaptations for AFD and Proparco. It is available on AFD's website: https://www.afd.fr/fr/politique-de-transparence-et-de-dialogue-du-groupe-afd.*

(2) *http://afd.opendatasoft.com/.*

(3) *https://en.consultation-numerique.afd.fr.*

2.6 Coordination with development actors: priority to partnership

As part of its 2018-2022 Strategic orientation plan, adopted by the AFD Board of Directors in July 2018[1], the AFD Group has set itself the target of becoming the bilateral platform of the French development policy, and undertakes to adopt an “automatic switch to partnership” in all of its operations, and to contribute to any partnership or coalition that brings added operating value – whether in terms of finance, expertise, analysis or network – and the means to capitalise and innovate.

As such, the Group is positioned as a platform of partnerships with French players (Caisse des Dépôts et Consignations, Expertise France, other public players, regional authorities, NGOs, businesses) and with European and international players, in particular IDFC.

In this context, AFD is finalising its new partnership strategy, which it will present to its Board of Directors in 2020, in order to specify the ambition defined by its Strategic Orientation Plan, and to place a partnership-based approach at the heart of its activities.

2.6.1 Partnerships with civil society organisations

In 2018, the AFD Board of Directors adopted a new cross-cutting partnership strategy with civil society organisations (CSOs) for the 2018-2023 period, published on the Agency’s website[2].

The funding granted under the “CSO Initiatives” strategy continued to increase, reaching €93M in 2019. This amount corresponds to the funding of 100 projects initiated by French CSOs with their partners from developing countries.

During the year, AFD also signed two new multi-year partnership agreements in favour of two French NGOs: IECD and AVSF. This followed the partnerships already agreed with the French NGOs *Humanité et Inclusion* (Handicap International), Médecins du Monde, Action Contre la Faim and CCFD Terre solidaire. At the end of 2019, the portfolio of projects under way included 423 CSO projects for an overall cofinancing amount of €332.6M.

More than 72% of funding granted in 2019 was invested in operations on the ground (most of which were Africa- related). The main targeted sectors are as follows: human rights and governance (16%), agriculture and food safety, health and education (15% each), the environment, energies and climate (9%). Around 28% of the funding granted was invested in public interest projects (education in citizenship and international solidarity – ECSI, and structuring of the voluntary sector).

2.6.2 Partnerships with European and international players

In 2019, the AFD Group continued its financial cooperation with the European Union. €581M in EU funds delegated to AFD were covered in resolutions by AFD bodies in 2019. Every year, AFD is audited by an external firm regarding management of EU delegated funds, and is subject to an obligation to send the audit assessment to the European Commission in order to be able to continue receiving funds.

Globally, AFD financing approvals using resources from other sponsors topped €705.9M in 2019. AFD receives funds from other bilateral sponsors such as DFID or DANIDA, and also from thematic funds such as the Global Partnership for Education (GPE) or the Green Climate Fund.

The international and European partnerships division works in close collaboration with the external delegated funds unit and the legal department. They provide it with support for appraisal and monitoring/implementation of the projects carried out with these different partners, in order to control any risks of lack of coordination with the other participants or non-compliance with procedures in management of delegated funds.

In addition, in 2019 the IDFC – International Development Finance Club – currently chaired by AFD, launched its first operational tool, the “IDFC Climate Facility”. Its objective is to share knowledge and build the capacity of Club members, in order to increase integration of climate considerations within their strategies and operations.

(1) *This concerns the AFD Group’s global strategy, published on its website: https://www.afd.fr/en/ressources/afd-group-2018-2022-strategy.*
(2) *https://www.afd.fr/en/ressources/partnerships-civil-society-organizations-strategy-2018-2023.*

2.6.3 Support for project management and the building of capacities

AFD supports its project management by fostering a participative and/or joint construction methodological approach throughout the appraisal cycle. In 2019, in order to guarantee sustainable development results, AFD improved its system for supporting operations and monitoring-assessment of projects. It adopted a differentiated approach in order to increase the impact of its operations (in the Sahelian area particularly) and strengthened its assistance capacities by focusing on capacity building (approach focused on participants and institutional support). In addition AFD is strengthening the operational culture of its project teams, through capitalisation, promotion of learning between peers, plus knowledge production and dissemination.

Since 2013, AFD has adopted a cross-business capacity building strategy(1) that aims to increase the developmental impact of its activities and to support the ramp-up of its partners.

In particular, these activities must enable the project owner to better coordinate and manage the funding, and ensure the activities and/or works are performed properly. They contribute to reducing the risk that project managers may fail to comply with contractual procedures or clauses.

AFD Group's two main support procedures consist in sharing its knowledge (sector-specific expertise and institutional project set-up) and the funding of external expertise (training, coordinating communities of practice, sharing experiences, and technical support).

In addition to its own capacity building activity for projects (via loans and/or grants), AFD has specific tools to build the capacity of its project managers, such as:

- the Project start-up, preparation and monitoring facility (FAPS),
- the Technical expertise and experience exchange fund (FEXTE),
- the French local authority financing facility (FICOL), and
- the Crisis recovery expertise and studies fund (FEESC). In 2019, these different tools represented €134.6M in commitment approvals.

AFD can also mobilise EU delegated credits to gain access to technical expertise. In 2021, the integration of Expertise France will provide the AFD Group with additional and complementary leverage to reach its goals set with partners.

2.7 Fair practices

2.7.1 Initiatives for preventing corruption, fraud, money laundering, terrorist financing and tax evasion

Corruption, fraud and any form of misappropriation of public and private aid will cause long-term damage to the AFD Group's mission of acting to protect the most vulnerable populations. The same applies to any funding which, unknown to AFD and Proparco, would lead to money laundering or the financing of terrorism. In order not to unwittingly participate in any of these violations, the AFD Group has adopted a general policy(2) implemented through operational procedures describing the checks to be carried out by its employees at the different stages of a project's life cycle.

In addition, the AFD Group implements a program to prevent and combat corruption and influence peddling within its organisation, in conformity with the new "Sapin II" Act, which became applicable in December 2016. The Group adopted an anti-corruption(3) code of conduct clarifying the expected and prohibited behaviour of Group employees regarding the prevention and fight against corruption and influence peddling in performing their duties. The Group adopted a professional whistle-blowing system open to internal employees and external or temporary service providers working for the Group. It also mapped the risks of corruption and influence peddling, integrated into the mapping of operational risks.

In addition to the pre-existing evaluation procedure of counter parties, in 2020 the Group will adopt a procedure to evaluate the situation of its first-tier suppliers with respect to potential risks of corruption and influence peddling.

The tightening of checks verifying the merits of transactions (such as the absence of accounting records likely to conceal acts of corruption or influence peddling) started in 2019 and will be completed in 2020.

E-learning modules dedicated to prevention of corruption and influence peddling were designed in 2019 and will be made available in 2020 to all AFD Group employees.

This anti-corruption and influence peddling compliance programme applies to AFD as an industrial and commercial State public undertaking, and also to Sogefom, Fisea and Proparco, along with the subsidiary TR Propasia.

(1) This strategy adopted by the AFD Board of Directors in 2013 is published on its website: https://www.afd.fr/sites/afd/files/2017-12/cadre-intervention-transversal-renforcement-des-capacites.pdf.

(2) The AFD policy against corruption is public and available on its website: https://www.afd.fr/fr/lutte-contre-la-corruption-politique-generale-de-lafd-et-de-Proparco-2013.

(3) https://www.afd.fr/en/ressources/afd-group-anti-corruption-code-conduct.

2.7.2 Checks made during a project's life cycle

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

In addition, at the time of the examination, and then throughout the life of the projects, the Group provides its employees with a filtering tool which consolidates information such as the financial and commercial sanctions adopted by France, the European Union, the United States, the United Kingdom and the UN. Such screening is also included in the processing chain for payments issued by AFD's Financial Department. The objective is to ensure that no counterparts, person concerned by checks, supplier and successful tenderer to a tender financed by AFD, is the subject of financial sanctions or is involved in sectors subject to an embargo, which the Group is required to implement.

2.7.3 Checks carried out as part of the foreign 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 (NNO) and are carried out *ex-ante* at specific stages of the public procurement process.

Over and above these checks, the AFD Group imposes exclusion criteria[(1)] 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.

2.7.4 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 the Group to suspend payments, cancel the portion of its financing in relation to which improper or non-compliant practices have been detected and demand early repayment of all or part of a loan or repayment of all or part of a grant paid.

2.7.5 Information reporting systems

There are several information reporting systems within the AFD Group. Firstly, Group employees have an operating incident declaration system which collects and centralises all shortcomings identified by employees (including AML/CFT/corruption and fraud issues).

Group employees must also report, through a reporting mechanism following management reporting lines, any suspicion of irregular practices within and outside projects. The handling of these suspicions is managed by the Compliance Department in order to secure an exhaustive overview of instances encountered, and to make sure that there is a consistent response or action plan. The AFD Group's employees also have the right to consult the Director of this department and his/her deputy directly if they believe they have identified a situation where there is a compliance risk.

Alongside these pre-existing channels, the AFD Group has set up a whistle-blowing system in accordance with the requirements of the "Sapin II" Act of 9 December 2016. This system came into force on 31 January 2019 and constitutes an ancillary, voluntary and optional warning system when an employee believes that current alert channels have not operated properly, or that there is a serious obstacle preventing their use.

2.7.6 Training of Group employees

In accordance with applicable French regulations, the AFD 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, fraud and corruption.

(i) these training courses are given in both e-learning and face-to-face formats. Training provided in the e-learning format on AML/CTF/corruption: in 2019 all the AFD Group employees were obliged to take the training course, i.e. 2,874 people. The number of modules assigned to each employee depends on their exposure to the AML/CTF/corruption risk, a criterion that is assessed according to the duties performed by the employee. The annual results are as follows: 80% of employees enrolled for module M1 (2,293 people of the 2,874 people who enrolled) and 75% of employees enrolled for module M2 (1,628 people of the 2,163 people who enrolled) validated their training;

(ii) face-to-face training provided on the subjects of fraud, corruption, AML/CTF: they supplement the e-learning programme and aim to offer employees access to all the regulatory and legislative knowledge required to perform their duties within the AFD Group. In 2019, 249 employees received training by means of 25 face-to-face training courses (22 courses at the head office, and 3 regional courses in local

(1) *See Directives on procurement financed by AFD in foreign countries – April 2015: https://www.afd.fr/sites/afd/files/2017-07/Directives- Passation-Marches-Etats-Etrangers.pdf*

offices). These training modules are adapted to the learners' profile, as they take into consideration the assignments of employees as part of the introductory programme for new employees, and with respect to transferred AFD Group employees (training relative to transfers to local offices or to users of the payment tool coming from local offices, for example). The Compliance Department developed two offers: one intended for operational employees, and the other for support employees. Moreover, at a manager's request, this department will provide AML/CTF training specific to his/her teams.

2.7.7 Initiatives undertaken to prevent tax evasion

In an effort to contribute to French policies to combat fraud and tax evasion, in particular the policies set out by France at the G8 and G20 meetings, AFD and Proparco adopted a rigorous and specific policy in 2009 regarding the transactions they carry out and the projects they finance in a non-cooperative jurisdiction (NCJ), or transactions and projects that involve one or more NCJs in the legal structure of the financed operation and/or offshore centres more generally.

Any project involving a counterparty registered in an NCJ (in terms of tax or AML/CTF) is considered high risk according to the risk classification of AFD and Proparco. The risk indicator related to geographic location ranks these countries as having a very high risk. Accordingly, the diligences expected will be more stringent than for projects not registered in these regions.

When tax or AML/CTF NCJs are involved, the AFD Group's policy determines the types of transactions authorised and the types of projects eligible for the Group's funding. The use of tax NCJs is either limited or prohibited, in accordance with this policy, which has been regularly updated since its adoption. This policy also underwent a careful review following adoption of Act no.2018-898 concerning combating of fraud, certain provisions of which concern the AFD Group in particular:

- The EU common list of third party country jurisdictions for taxation purposes, adopted by the European Commission in December 2017 ("EU List of tax NCJs") is not included in the French list of non-cooperative states and territories ("NCST");
- The AFD Group is prohibited from contributing to the financing of a project if the controlling shareholder is registered in an NCST, except if said shareholder proves that their registration is justified by an effective economic interest in the state or territory in question, or when the financed project is carried out in the state or territory in question.

When the Law relating to combating fraud came into force, it did not modify the AFD Group's policies and procedures in this area. The law sanctions the existing policies and procedures[1]. However, it is worth noting that the integration of the EU list of tax NCJs in the French list of NCSTs, with the resulting financing restrictions, now has an impact on the projects that the Group may finance, using its own resources in these countries.

Integration of the EU list of tax NCJs into the French list of NCSTs took effect on 8 January 2020, following publication of the decree issued in application of Article 238-0 A of the French Tax Code. All NCSTs including EU NCJs are therefore now subject to the NCJ procedure of the AFD Group[2].

Prior to adoption of the above-mentioned decree, and in order to comply with subsequent changes to the EU list of tax NCJs, which cannot be immediately transferred into internal legislation, the AFD Group had modified its procedures for projects receiving EU delegated funds and a blend of funding, so that countries and territories on the EU list of tax NCJs can be considered as tax NCJs. It should be noted that this list has changed several times since it was adopted at the end of 2017. The most recent version is dated 14 November 2019[3].

In parallel, the Compliance department has been in discussions for several months with the services of the European Commission responsible for tax and customs questions, in order to clarify the Commission's requirements relating to granting and execution of its projects, and to obtain a statement from it that specifies its expectations in this matter.

To improve internal visibility and be able to guide operational teams as to which arrangements are acceptable, the Compliance department is working to integrate French and European anti-tax evasion requirements into the procedure dedicated to the AFD Group's NCJ policy.

(1) On this point, excerpts from the parliamentary proceedings are particularly edifying: "The system proposed by the Senate enshrines in law that which currently relates to the financing policy that the AFD Group has imposed on itself, and which is justified by the need to prevent financing of development projects from only benefiting people or entities established in NCSTs who divert the financial flows intended to support the population"; "We should point out first of all that the purpose and the intended effect of this system is not to stigmatise AFD or its action, on the contrary. It is our aim is to acknowledge the considerable efforts the AFD Group has undertaken, by enshrining them into law"; "this article is in no way intended to stigmatise AFD or its subsidiaries. It serves to enshrine in law the virtuous policy of this group by putting into legislation elements which currently constitute […] a simple code of conduct. […] Considering the role and importance of AFD and its subsidiary Proparco, and the public origin of the funds, it is not inconsistent to raise this Group commitment to the normative level" (Extract from the Draft law on the fight against fraud, No. 385, filed on Wednesday 28 March 2018 - http://www.senat.fr/leg/pjl17-385.html)

(2) As of 8 January 2020, the following States and Territories appeared on this list: Anguilla, Bahamas, British Virgin Islands, Panama, Seychelles, Vanuatu, Fiji, Guam, American Virgin Islands, Oman, American Samoa, Samoa, Trinidad and Tobago.

(3) To date it comprises 8 jurisdictions, which are: Vanuatu, Fiji, Guam, American Virgin Islands, Oman, American Samoa, Samoa, Trinidad and Tobago, all included in the French list of NCSTs as ratified by the decree of 6 January 2020.

2.8 A meaningful work environment

The AFD Group strives to promote a responsible approach in its internal operations and to provide its employees with an inclusive and rewarding work environment. This approach constitutes one of the six commitments in its corporate social responsibility policy. The Group encourages employee dialogue and offers its employees the most favourable working conditions possible to develop their skills and pursue interesting and motivating career paths, while preserving a balance between their private and professional life.

2.8.1 The ethics system

The AFD Group is well aware of the strong demands associated with its public service mission in French Overseas Departments and Collectivities and Foreign Countries, and in 2004 decided to put in place an ethics system. It consists of a Charter, a Committee and an Adviser.

The Ethics Charter was written in 2004 and updated in 2012. It defines[1] a common ambition for the Group and its employees, guidelines for behaviour and commitments consistent with its triple status as a development agency, a financial institution and a public body. The Charter "aims to reinforce the identity, unity and performance of the institution (…) and also to protect the Group and its employees against any reputational risk" (Article 1). It applies to every employee, regardless of their business line, hierarchical position or duties. It promotes commitment, integrity, openness and adaptability as the Group's four key values (Articles 11 to 15). A copy of the Charter is given to new recruits when they sign their employment contract.

The Ethics Committee meets at least six times every year. It is chaired by the Deputy Chief Executive Officer of AFD. The other members are the representatives of each Executive Department of AFD (7), Proparco, the personnel (CSE: Social and Economic Committee) and the Ethics Adviser. On the strength of the many business lines it represents, it gives Senior Management and the Group the benefit of its discussions and recommendations on operational ethical subjects that it identifies or that are submitted to it.

The Ethics Adviser runs training/awareness-raising sessions for new recruits and employees soon to be assigned to the network (the network comprises almost one hundred AFD or Proparco departments/local offices/offices). In 2019 the Ethics Adviser led 35 internal training sessions on Ethics, for 698 employees.

He participates in regular discussions about ethics with all the head office teams and visits several network teams every year. He is in direct contact with all the Group's employees, and holds regular meetings with Senior Management and members of the Executive Committee. The Adviser welcomes, listens and gives confidential advice to all head office and network employees who wish to talk about a problem or have a question about ethics (136 consultations in 2018 and 184 in 2019, almost a third of which were for network employees).

Although the Adviser preserves the anonymous nature of these consultations, he communicates with Senior Management and reports as necessary to the AFD and Proparco Boards of Directors, and also to their specialised committees (e.g. the Risks Committee in February 2019). In addition, the Ethics Adviser supervises the AFD system for managing environmental and social complaints. Lastly, since January 2019, it has been the point of entry for AFD Group's professional whistle-blowing system.

The ethical method seeks to be attractive and appealing, by adopting a positive and constructive educational approach. This approach stimulates individual and collective questions, reinforces the desire to act in a correct manner, and encourages the demand for compliance.

2.8.2 Skills development, employability and training

The AFD Group human resources policy was validated in 2018. It aims to both support the strategy and take up the challenge represented by the unprecedented growth in activities.

Given this context, the Group has acquired a set of human resources management tools in order to recruit and smoothly integrate talented employees in France and the countries where it operates. The Group offers its employees motivating career paths, combined with the means - training in particular - to maintain and develop their skills by reinforcing their internal and external employability.

The Group's recruitment policy includes an onboarding system that offers a full training and mentoring programme that – in addition to promoting a basic understanding of the work environment – fosters cohesion and teaches the strategic goals, missions, challenges and procedures relevant to AFD Group's present and future activities.

The Onboarding system created in 2016 for new recruits was enhanced during 2019. It now consists of distance learning modules accessible to everyone as soon as they are recruited, and face-to-face modules on themes selected with the business lines. It is deployed systematically for new recruits.

In summer 2019, digitisation of the system facilitated access for local staff to the training that is vital for effective onboarding into the Group. This digital service has provided vital support to the major recruitment drive organised in the network in 2019.

In addition to the Onboarding system, distance learning has grown considerably, with forty or so new modules available on the formation.afd.fr platform. This service is constantly improving. It covers a very wide variety of needs, from sectoral expertise to personal development, and also including finance and banking subjects.

As a complement to digitisation, regionalisation is opening up new training possibilities for network employees. In 2019, 46

(1) *https://www.afd.fr/en/ressources/ethics-charter-afd-group.*

training sessions covering twenty or so subjects were held in the network (compared to 34 in 2018). Thanks to the structuring of the Regional Departments, this growth is destined to continue in future years, both to back up deployment of business line sectors and to consolidate head office/network links.

The Skills Development Plan is updated every year. Its ambition is to meet the needs of Group teams and employees, and to help them through the transformations that are impacting their business lines. In 2019 a new managerial training programme was deployed, for all the Group's managerial community, representing nearly 400 people. This programme is structured in three phases: "Responsible manager", "Manager driving change" and "Manager as coach". It lasts for between 12 and 18 months, alternating theoretical teaching with transfers to the professional environment.

Book-keeping for the training activities underwent some important changes starting in financial year 2019. In accordance with the legal framework, the concept of accountability has disappeared from the calculation methods, making it possible to recognise more accurately the real effort that the Group has made in favour of its employees. The legal definition of training action has broadened to encompass formats that were previously excluded from balance sheets (field study trips, seminars, symposiums, co-development, etc.).

Therefore, for the **head office staff**, the training activity has grown significantly in 2019: **46,084 hours**(1) of training were given (compared to 40,709 in 2018), which corresponds to a 13% increase and represents 4.3% of the total payroll costs.

For the **local staff**, the observed growth is even clearer: 324 local employees were trained (compared to 244 in 2018), and benefited from training organised by the HRD, at the head office or in the network, for a total volume of **12,037 hours** (compared to 8,028 hours in 2018), representing a leap of 50%.

Looking at all target groups(2)**, the overall training effort** managed by the HRD represents **66,012** hours in 2019, i.e. an increase of 25% compared to 2018, although to keep the situation in perspective it is necessary to bear in mind the change in calculation methods.

2.8.3 Employee dialogue and social relations

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

The AFD human resources policy prioritises on more inclusive employee dialogue. The corporate social responsibility policy(2) adopted by the AFD Board of Directors in 2018 undertakes to strengthen the dialogue with all Group stakeholders, and to ensure harmonised management of human resources.

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

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 recruited in local offices abroad have an employment contract governed by staff regulations and must comply with the legal provisions that apply locally.

Professional elections were held in May 2018 to establish new personnel representative bodies based on the Macron Ordinances.

As such, employee representation is now organised as follows:

- a **head office Social and Economic Committee and five local Social and Economic** Committees for the French Overseas Departments collectively represent employees for all matters related to the company's management, economic and financial development, organisation and working conditions, vocational training and social protection. Moreover, they organise social and cultural activities established within the company. The Social and Economic Committees also work to ensure the protection and safety of employees, to improve working conditions, and to gather and present to the company all individual and collective employee claims on the application of laws and by-laws;
- a **Central Social and Economic Committee** holds twice-yearly ordinary session meetings that bring together representatives from the six committees and handles strategic, financial and economic initiatives that affect all employees governed by French law. It may also be required to handle matters related to health, safety and working conditions at the central level;
- a **Group committee** meets annually, bringing together employee representatives of AFD and its subsidiaries.

Created in 2017, the committee representing AFD employees in foreign countries brings together personnel representatives working in AFD or Proparco agencies/offices abroad, whether employees governed by local law (permanent or temporary contract) or service providers (in countries where social legislation does not allow direct employment by the agency). Its creation is consistent with AFD's corporate social responsibility commitments. The first elections were held in February 2018, and the committee met for the first time in March 2018 at the AFD head office in Paris, and then in June 2019.

(1) *To compare the 2019 financial year with previous years, we integrate these changes while keeping the capability to compare the 2019 figures with 2018 data on equivalent scopes (adopted scope: head office staff, head office and French Overseas Departments / Territories).*
(2) *Including all target groups: head office staff, local staff, international volunteers, trainees, and personnel made available from AFD.*
(3) *https://www.afd.fr/en/ressources/afd-groups-corporate-social-responsibility-policy-2018-2022.*

A review of collective agreements (and notifications of disapprovals) signed in 2019

05/02/2019	Agreement on system of property loans granted to AFD employees.
07/02/2019	Agreement in favour of employment and inclusion of people with disabilities.
07/02/2019	Agreement on functioning of the local Social and Economic Committees and the central Social and Economic Committee
07/02/2019	Agreement on duration of term of office of employee representatives
05/04/2019	Notification of disapproval Negotiation on remuneration, working hours, and the sharing of added value in 2018
02/07/2019	Agreement on method for negotiating the agreement to replace the Mayotte Staff Regulations dated 16 June 2014.
02/07/2019	Collective company agreement on implementation of the AGRIC-ARRCO complementary retirement pension scheme at the Mayotte establishment.
19/07/2019	Agreement on the standby mechanism
22/07/2019	Amendment to the agreement in favour of employment and inclusion of people with disabilities.

2

Employment negotiations with bodies representing Group personnel during 2019 focused mainly on reviewing salaries (NAO - mandatory annual negotiations) and profit sharing. In addition, the negotiations that began in 2018 led to the signature of several agreements: functioning of bodies, Disability, Quality of Life at work (including home working) and property loans.

2019 was also marked by the negotiation of specific provisions for employees at the Mayotte office (introduction of a complementary retirement pension scheme and negotiations concerning the new Staff Regulations).

2.8.4 Quality of employee working conditions and safety

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

2.8.4.1 Quality of working conditions

AFD wishes to preserve its employees' quality of life at work, and has instigated an ambitious policy in this field. 2019 saw the completion of negotiations concerning quality of life at work, which will constitute the AFD roadmap for the next three years.

This agreement is structured around 4 main objectives:

i) better take into account the human dimension in organisation of work;

ii) promote a better balance between private and professional life;

iii) prevent and manage psychosocial risks;

iv) promote well-being at work.

In 2018 mechanisms and personnel were deployed to prevent psychosocial risks (internal mediator, ethics adviser, psychological support, medico-social service, watchdog unit for suffering at work). They have been reinforced by the creation of an external counselling unit, focusing on discrimination and harassment. These personnel are working to improve their coordination to deal with emerging psychosocial risk situations. In addition, a unit to prevent and deal with moral or sexual harassment situations has been put in place.

Home-working helps to create a better balance between private and professional life, and has been very widely adopted. in parallel, a charter on the right to disconnect has been drafted and communicated to all employees.

A "Random Lunch" scheme and conferences on themes relating to well-being at work enable colleagues to meet up and generate a friendlier work environment.

Particular emphasis has been placed on training and awareness-raising: a module on quality of life at work has been included in the managers' training programme; awareness-raising of psychosocial risks is accessible to all employees via e-learning modules; personal development courses are available as part of the training plan for all employees (mindfulness, assertiveness, time management, non-violent communication, etc.).

2.8.4.2 Security of Group employees

The security of property and people in the AFD Group is based on several internal rules and policies, and in particular: i) a Group security policy (PSEC), ii) an agency security policy (PSAG). These documents are brought to the attention of all Group employees.

Furthermore, the Group has deployed an international security management system that is regularly audited by the AFD General Inspectorate.

In application of the international security risk prevention strategy, AFD has set up an organisation that puts the regional divisions at the heart of the system. This makes it easier to take account of the diverse security situations in the Network. In addition to the security standards and the process to secure travel abroad modernised in 2018, AFD has deployed human resources exclusively devoted to Network backup. Regional security advisers are constantly available to regional directors, to ensure constant security vigilance and dynamically adapt the local means of protection. The security advisers also contribute to reinforcing security culture in the field, and assist the AFD crisis management unit when it manages emergencies. The security sector lead located at the head office coordinates the entire system and ensures it is consistent across the Board. It sets up a permanent watchdog unit which is organised around a cross-cutting watchdog unit. This unit takes all permanent or temporary decisions on a global level that are necessary to ensure employee security.

Security training and awareness-raising actions were maintained in 2019 at the head office and in the network. All AFD new recruits are given awareness-raising sessions on AFD security challenges, and the functioning of the means of protection they benefit from every day. Regional directors have systematically been given training in their specific responsibilities relating to security. In 2019; e-learning awareness-raising reached 445[1] employees relating to mission security (in 2018, 513 employees were reached).

(1) E-learning awareness-raising "Mission security" (followed by 461 employees) and "Security of outbound on site staff in local offices" (followed by 45 employees) between 15 January 2019 and 15 January 2020 inclusive.

2.9 Report from one of the statutory auditors, as a designated independent third party, on the voluntary consolidated statement of non-financial performance included in the management report

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

For the year ended 31st December 2019

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation or COFRAC*) under number 3-1049[(1)] we hereby report to you on the non-financial statement for the year ended December 31st 2019 (hereinafter the "Statement"), included on a voluntarily basis in the Group Management Report voluntary pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE ENTITY

The Management Board is responsible for preparing the voluntary Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT THIRD PARTY

On the basis of our work and as part of your entity's voluntary approach, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000[(2)]:

- we obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;

(1) Accreditation scope available at www.cofrac.fr

(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information

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

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

MEANS AND RESOURCES

Our work was carried out by a team of five people between December 2019 and April 2020 and took a total of two weeks.

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

CONCLUSION

Based on the procedures performed, except for the effect of the matter described above, nothing has come to our attention that causes us to believe that the voluntary non-financial performance statement is not presented in accordance with the applicable regulatory requirements applied on a voluntarily basis and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

(1) *The organization of social dialogue and collective agreements; Employee safety policy; Policy to combat corruption and tax evasion; Human rights due diligence in financing agreements; AFD's policy for managing environmental, social and societal impacts; Policy for dialogue with stakeholders; Partnerships with civil society organizations.*

(2) *Total employee headcount broken down according to gender (at 31 December 2019), Number of people who validated their AML/CFT training (modules 1 and 2); Number of "safety" e-learning courses; number of consultations with the ethics adviser; number of training courses provided by the ethics adviser; Financial aid to be disclosed (number); Financial aid disclosed (number);% of sovereign projects reported in IATI format; Number of complaints received by the AFD complaints management system; Classification of AFD projects according to level of environmental and social risk (in number of projects and amounts granted); Classification of Proparco projects according to level of environmental and social risk (in number of projects and amounts granted); Number of climate co-benefit projects; Amount of climate co-benefit projects; Greenhouse gas emissions avoided or reduced.*

COMMENTS

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comment: the definition of AFD and Proparco's ex-ante performance indicators could not be published, however they are available on request, as mentioned in the methodological note.

Paris-La Défense, on March 27th 2020

KPMG S.A..

Anne Garans	Pascal Brouard
Partner Sustainability Services	Partner

Corporate governance

3.1 Report on corporate governance

This report on corporate governance was prepared by the Board of Directors pursuant to the last paragraph of Article L.225-37 of the French Commercial Code as amended by Order No 2017-1162 of 12 July 2017.

3.1.1 Separation of the functions of Chairman and Chief Executive Officer

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

At 31 December 2019, Senior Management[(1)] was as follows:

	AFD position appointment	Other mandates and positions
Rémy RIOUX	Chief Executive Officer (CEO) *For 3 years, Decree published on 29 May 2019*	Director, Chairman of the Proparco Board of Directors Chairman of the IDFC Club Alternate EIB Director
Philippe BAUDUIN	Deputy Chief Executive Officer *Indefinite term, memorandum of instruction AFD/DGL NI – 2016-67 of 6 July 2016*	Director of Proparco Director of Fisea Director of the Société Immobilière de Nouvelle-Calédonie
Bertrand WALCKENAER	Associate Chief Executive Officer NI – 2019-16 AFD/DRH of 21 February 2019	Proparco: Director, Vice-Chairman of the Board of Directors Chairman of the Investment Advisory Committee Chairman of the Proparco Appointments Committee Fisea: Permanent representative of AFD, shareholder, director, Chairman of the Board of Directors and Chairman of Fisea BPIfrance financement: Permanent representative of AFD on the Board of Directors as a non-voting member Expertise France: AFD representative on the Expertise France Board of Directors of as an observer ACPR: Executive officer at the ACPR

CHIEF EXECUTIVE OFFICER: RÉMY RIOUX

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

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

In 2014, he was appointed Deputy General Secretary at the French Ministry of Foreign Affairs and International Development. He was at the heart of economic diplomacy policy. He also coordinated the "finance" agenda for the French presidency of COP21 up to the final negotiation of the Paris Agreement on climate change. In June 2016, he assumed the management of the Agence Française de Développement.

DEPUTY CHIEF EXECUTIVE OFFICER: PHILIPPE BAUDUIN

Recruited to the Caisse Centrale de Coopération Économique in 1983, Philippe Bauduin was assigned as an officer to the Papeete agency. In 1987, he joined the French Guiana Development Finance Company (Sofideg), a subsidiary of the Caisse centrale as head of the department for business and home loans.

His career continued with two postings by the Caisse Française de Développement (former CCCE) to Africa. Firstly, he was adviser to the Chief Executive Officer of the National Bank of Economic Development of Burundi in Bujumbura from 1992 to 1995. He subsequently served as Secretary General of the Guarantee Fund for Private Investment in West Africa at the West African Development Bank in Lomé from 1995 to 1998. He set up and organised this fund to support credit institutions in the 18 member countries of the Economic Community of West African States (ECOWAS).

(1) The Chief Executive Officer, Deputy Chief Executive Officer and Associate Chief Executive Officer are executive officers according to Article L.511-13 of the French Monetary and Financial Code.

Philippe Bauduin returned to the headquarters of Agence Française de Développement (formerly CFD) in 1998 to take over as Director of the Banking Division in the French Overseas Departments and Collectivities Department. In September 2002, he was appointed Deputy Chief Executive Officer at the Caledonian Investment Bank (BCI) in Nouméa, which at the time was a subsidiary of AFD. He became Chief Executive Officer in 2008. In 2009, he was appointed AFD Director in Pointe-à-Pitre for Guadeloupe, Saint-Martin and Saint-Barthélemy.

In 2012, he was seconded to Société Immobilière de la Guadeloupe (SIG) as interim Chief Executive Officer.

In 2013, Philippe Bauduin became AFD Chief Financial Officer, before being appointed Deputy Chief Executive Officer by Rémy Rioux in July 2016.

ASSOCIATE CHIEF EXECUTIVE OFFICER: BERTRAND WALCKENAER

Since February 2019, Bertrand Walckenaer has been Associate Chief Executive Officer of Agence Française de Développement. He was previously Head of the cabinet of the Secretary of State under the Finance Minister. Prior to that, he spent 10 years at the Treasury (between 2005 and 2017), where he held a range of business-related positions: industrial restructuring, financing of aerospace exports, monitoring of foreign investments. He also represented the State on the Boards of Directors of Bpifrance, La Poste and CNP Assurances in 2016 and 2017. During this period, he spent two years at the Ministry for Foreign Affairs (2014-2016), as vice head of the cabinet of the Secretary of State for Foreign Trade. Finally, for one year Bertrand Walckenaer was technical director at the Pouma bush hospital in Cameroon (2010). He is a graduate of AgroParisTech and an international affairs graduate of Université Paris-Dauphine.

3.1.2 Executive Committee

Members of AFD's Executive Committee are appointed by the Chief Executive Officer:

- Deputy Chief Executive Officer: Philippe Bauduin;
- Associate Chief Executive Officer: Bertrand Walckenaer;
- Operations Executive Officer: Jean-Pierre Marcelli;
- General Secretary Executive Officer: François Parmantier;
- Director of the Finance department: Françoise Lombard;
- Human Resources Executive Officer: Martha Stein Sochas;
- Risks Executive Officer: Amaury Mulliez;
- Strategy, Partnerships and Communication Executive Officer: Laurence Breton-Moyet;
- Studies, Research and Knowledge Executive Officer: Thomas Melonio;
- Chief Executive Officer of Proparco: Grégory Clemente;
- Head of the Inspection générale: Eric Baulard.

3.1.3 The Board of Directors

3.1.3.1 Composition of the Board of Directors

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

- 5 representatives of the French State;
- 4 members appointed for their expertise in economic and financial matters;
- 1 member appointed for his expertise in ecological and sustainable development issues;
- 1 member appointed for their expertise in migration matters;
- 4 members of Parliament (two deputies and two senators);
- 2 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 French Minister in charge of the Economy, the French Minister in charge of Cooperation, the French Minister in charge of the French Overseas Departments and Collectivities and the French Minister in charge of Immigration. The age limit applicable to the Chairman of the Board of Directors is 70 years of age. He or she casts the deciding vote in the event of a tie. If the Chair is absent, he or she is replaced by the eldest of the State representatives.

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

AFD strives to better meet the principle of balanced representation of women and men on the Board, in particular when renewing offices. At the end of December 2019, there were 35 members. Of the 31 who had been duly appointed (16 permanent and 15 alternate), 13 were women (6 permanent and 7 alternate directors), representing 37.1% of the members and 41.9% of the seats filled.

At 31 December 2019, the Board of Directors had the following members:

Director	Term on the Board appointment	Address	Current position Other offices held
Laurence Tubiana	Chair Decree published on 10/07/2019	Agence Française de Développement 5, rue Roland-Barthes 75598 Paris Cedex 12	**Chairman of AFD's Board** • Director of IDDRI • Director of the European Climate Foundation • Member of the TERI Governing Council • Chair of the Expertise France Board of Directors • Haut Conseil pour le Climat (French climate authority) • Chair of the Scientific Council of ADEME • Co-chair of the Committee for governance, citizens' climate agreement
Representatives of the French State (5)			
Guillaume Chabert	Permanent 16/05/2018	French Ministry of the Economy and Finance Directorate General of the Treasury 139, rue Bercy 75572 Paris Cedex 12	**Head of Multilateral affairs and development at the General Directorate 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 (IFAD)
Cyril Rousseau	Alternate 11/12/2018	French Ministry of the Economy and Finance Directorate General of the Treasury 139, rue Bercy 75572 Paris Cedex 12	**Deputy Head, Multilateral financial affairs and development** • Director of the Central Bank of West African States • Member of the Board of the Green Climate Fund
Morgan Larhant	Permanent 20/10/2017	French Ministry of Public Action and Accounts Budget Department 139, rue de Bercy 75572 Paris Cedex 12	**Deputy Head Europe, Foreign Affairs ODA, Asylum and Agriculture** Permanent Director representing the Ministry of the Budget to: • the Agency for French Teaching Abroad (AEFE) • National Forests Office • the Service and Payment Agency (ASP) • the French Office for Immigration and Integration (OFII) • the Institut Français • the French Office for the Protection of Refugees and Stateless Persons (Ofpra)
Vacant	Alternate		Philippe Plais term expired on 19/11/2019
Laurent Bili	Permanent	French Ministry for Foreign Affairs and International Development General Directorate for Global Affairs, Culture, Education and International Development (DGM) 27, rue de la Convention CS 91533 75732 Paris Cedex 15	**French Ambassador to China**
Philippe Lacoste	Alternate 23/10/2019	French Ministry of Europe and Foreign Affairs 27, rue de la Convention 75732 Paris Cedex 15	**Head of Sustainable Development** • General Directorate for Global Affairs, Culture, the Environment and International Development
Rémi Maréchaux	Permanent 05/12/2019	French Ministry of Europe and Foreign Affairs 37, quai d'Orsay 75700 Paris	**Head, Africa and the Indian Ocean** • No other office or function

Jean Baptiste Faivre	Alternate 20/10/2017	French Ministry for Foreign Affairs and International Development 37, quai d'Orsay 75700 Paris	**Deputy Head, North Africa and the Middle East** • No other office or function
Etienne Desplanques	Permanent 11/11/2018	Ministry for French Overseas Departments and Collectivities 27, rue Oudinot 75007 Paris	**Deputy Head of Public Policy at the Directorate General of French Overseas Departments and Collectivities** • Director of société immobilière de Guadeloupe (SIM) which has SIDOM (French overseas department real estate company) status • Director of Société immobilière de la Martinique (Simar), same status • Government Commissioner for institut calédonien de participation (ICAP), a state company provided for in the Act of 30 April 1946 • Government Commissioner for Agence de développement rural et d'aménagement foncier de Nouvelle-Calédonie (ADRAF), an industrial and commercial public institution
Pierre-Eloi Bruyerre	Alternate 11/11/2018	Ministry for French Overseas Departments and Collectivities 27, rue Oudinot 75007 Paris	**Head of the Office of Economic Life, Employment and Training at the Directorate General of French Overseas Departments and Collectivities** • Sogefom Director • Alternate Director on the ieom Supervisory Board • Alternate Government Commissioner for the ICAP in New Caledonia.
Person appointed for their expertise in migration matters (1)			
XXX	Permanent	Ministry of the Interior	Awaiting appointment by decree
Nathalie Bakhache	Alternate 16/05/2018	DGEF 18, rue des Pyrénées 75020 Paris	**Head of the modernisation and simplification mission** • No other office or function.
Persons appointed because of their expertise in economic and financial matters (4)			
Omar Kabbaj	Permanent 29/04/2017	Agence Française de Développement 162 Avenue Iman Malek Route de Zaers RABAT SOUISSI MOROCCO	No other office or function
Jean-Louis Mattei	Alternate 29/04/2017	KEYSTONE 11 rue Jean MERMOZ 75008 Paris	**Director of the Mauritius Commercial Bank group** • Director of the Société Générale de Banques (SGBL) in Lebanon • Director of ORAGROUP since December 2019
Salima Saa	Permanent 29/03/2018	TRANSDEV 3 Allée de Grenelle 92130 Issy Les Moulineaux	**Head of business development, Transdev France** • Member of the Board of Directors of the public transport union • Member of the Board of Directors of the public transport EIG • Member of the Fondapol Supervisory Board • Member of the Ardian foundation Supervisory Board
Anne-Lise Avril	Alternate 29/03/2018	SAFEGE Suez Consulting 15-27 rue du Port Parc de l'Ile 92022 Nanterre Cedex	**CEO of SAFEGE SAS** • Non-partner manager of SCI SIST • Director of Syntec Ingénierie • Vice-Chair of the Board of IFIS de MEDEF INTERNATIONAL
Nathalie Tubiana	Permanent 15/12/2018	Banque des Territoires 72 avenue Pierre Mendes France 75013 Paris	**Head of Finance at the Banque des Territoires until 30/01/2020** • Chair of the CDC Développement Solidaire association • Director of the SCET and chair of the audit and Risk Committee • Director of CDC Habitat and member of the audit and Risk Committee • Director of the Tourisme Social Investissement fund

Sylvie Lemaire	Alternate 29/03/2018	Syndicat du Sucre labour union of Réunion CS81036 33 rue Emmerez de CHARMOY 97495 SAINTE-CLOTILDE Cedex Réunion	**General Delegate of the Syndicat du Sucre labour union of Réunion** • Member of the Management Committee of TEREOS Sucre Océan Indien • Vice-Chair of CESER Réunion responsible for the Finances-Evaluation Commission • Director of eRcane (Sugar Industry Research Centre) • Director of SAFER • Vice-Chair of the Réunion Committee of French Foreign Trade Advisors
XXX	Permanent		Awaiting appointment by decree
Martine Audibert	Alternate	Université de Clermont Auvergne CERDI 26 Avenue Léon Blum 63 000 CLERMOND-FERRAND Cedex	**Research head emerita at CERDI, Senior fellow at FERDI (International Development Study and Research Foundation)** • No other office or function
Person appointed because of his/her knowledge of ecological and sustainable development issues (1)			
Chantal Jouanno	Permanent 24/02/2018	CNDP 244 Boulevard Saint Germain 75007 Paris	**Chair of CNDP** • Member of the Advisory Board of IDDRI • Member of the Ethics Committee of the Lagardère Group • Director of the Alstom foundation
Maya Leroy	Alternate 24/02/2018	AgroParisTech 648, rue Jean-François Breton BP 44494 34093 Montpellier Cedex 5	**Head of Faculty Environmental Management** • Member of Scientific Advisory Boards • French Scientific Committee on Desertification-CSFD, United Nations Convention to Combat Desertification (UNCCD). • Scientific and Technical Committee of the French Global Environment Facility (FFEM) • Scientific Advisory Board of GIP ECOFOR • Member of the environmental authority • Member of the Regional Environmental Authority of Occitanie MRAe-CGEDD • Member of the Board of Directors • AgroParisTech Board of Directors • International Francophone Secretariat for Environmental Evaluation (SIFEE) Board of Directors • Member of the Technical Committee • AgroParisTech Technical Committee • Member of Teacher and/or Guidance Boards • AgroParisTech Lecturers' Board • HEC Paris Guidance Committee for the Master programme on Sustainability & Social Innovation
Members of Parliament (4)			
Hervé Berville	Permanent 24/02/2018 18/09/2017	National Assembly 3 rue Aristide Briand 75007 Paris	**Deputy for the Côtes d'Armor department** • No other office or function.
Bérengère Poletti	Alternate 18/09/2017	National Assembly Rue de l'Université 75007 Paris	**Deputy for the Ardenne department** • Departmental councillor of the Ardennes • Member of the Board of Directors of Expertise France
Amélia Lakrafi	Permanent 24/02/2018 18/09/2017	National Assembly Rue de l'Université 75007 Paris	**Deputy for the 10th district of French nationals established outside France** • No other office or function
Dominique Potier	Alternate 18/09/2017	National Assembly 126 Rue de l'Université 75007 Paris	**Deputy for Meurthe et Moselle** • President of Association Esprit Civique • President of the Association du Pays Terres de Lorraine • Director of the Agriculture and Rurality Observatory at the Fondation Jean Jaurès

Gilbert Bouchet	Permanent 17/01/2018	PALAIS DU LUXEMBOURG 15 rue de Vaugirard 75291 Paris Cedex 06	**Senator for the Drôme department** • Municipal councillor of Tain-L'hermitage
Jean-Marie Bockel	Alternate 17/01/2018	Senate Rue Vaugirard 75006 Paris	**Senator for the Haut-Rhin department**
Jean-Marc Gabouty	Permanent 15/12/2017	Senate Rue Vaugirard 75006 Paris	**Senator for the Haute Vienne department** • Vice-President of the Senate • Joint Manager of the Jean-Marc Gabouty civil company • Chairman of Territoires Graphiques • Chairman of Info-Routage • Joint Manager of GAMACO • Manager of SCI Ralex • Manager of the Lailloux shared forest investment group
XXX	Alternate		Appointment pending
AFD personnel representatives (2)			
Stéphanie Picard-Hemery	Permanent 11/12/2019	AFD 5, rue Roland-Barthes 75012 Paris	**AFD employee** • Part-time lecturer at the Clermont-Ferrand School of Economics/Clermont Auvergne University CNRS Centre for Studies and Research on International Development (CERDI) • Part-time lecturer at the Foundation for Studies and Research on International Development (FERDI) • Member of the College of the Comté Avenir collegial association
Grégory Villeneuve	Alternate 11/12/2019	AFD 5, rue Roland-Barthes – 75012 Paris	**AFD employee** No other office or function
Nicolas Mora	Permanent 11/12/2019	AFD 5, rue Roland-Barthes 75012 Paris	**AFD employee** No other office or function
Linda Zanfini-Magne	Alternate 11/12/2019	AFD 5, rue Roland-Barthes 75012 Paris	**AFD employee** No other office or function

3.1.3.2 The Director's Charter

A charter sets out the rights, obligations and rules applicable to all members of Agence Française de Développement's Board of Directors, special committees or its Audit Committee. All directors, both permanent and alternate, agree to adhere to the guidelines set out in the Charter (confidentiality, banking secrecy and the duty of circumspection, duty to inform, duty of vigilance, etc.) and to apply them when acting as individuals and as members of a company body called upon to make collective decisions.

3.1.3.3 Conditions for the preparation and organisation of the work of the Board of Directors

Pursuant to Article R.515-18 of the French Monetary and Financial Code, the Board of Directors deliberates on the strategic orientations of the institution implementing the objectives conferred by the State. It approves: the aims and means contract entered into with the State; the agreements listed in Article R.515-12 (management on behalf and at the risk of the State); the financial aid mentioned in Articles R.515-9, R.515-10 and R.515-11, as well as the regulations provided in the latter article; the agreements entered into pursuant to the second, third, fourth and fifth paragraphs of Article R.515-13 (management on behalf of a third party); the annual amount of loans to be taken out by the Agency; the statement of estimates of operating income and expenses; the general terms and conditions on financial aid; the annual financial statements and the management report prepared by the Chief Executive Officer; the purchase and sale of properties; the creation or abolition of local offices or representations; transactions on Agency interests and arbitration clauses; and the appointment of statutory auditors. The Board of Directors is informed of quality assessments, analyses and evaluations regarding the Agency and its operations.

The Board of Directors' operations are formally set out in the internal regulations, in accordance with Article R.515-19 II of the French Monetary and Financial Code. The internal regulations define the procedure for consultation of the Board's members by the Chair remotely for urgent deliberations. This procedure at the least defines a minimum consultation time, quorum rules and the right of any member of the Board and the Government Commissioner to oppose this consultation procedure.

3.1.3.4 Conflicts of interest

To the company's knowledge:

- there are no family ties between the company's corporate officers. Moreover, over the last five years, no corporate officers have been subject to a conviction for fraud, bankruptcy, receivership or liquidation, an official public accusation and/or penalty pronounced by the legal or regulatory authorities, nor have been prevented by a court from acting as a member of an administrative, management or supervisory body or from managing company affairs;
- there are no potential conflicts of interest between the duties regarding the company by any of the Directors and their private interests and/or other duties, with the exception of Anne-Lise Avril who performs the role of corporate officer of a company likely to be an ad hoc service provider on behalf of AFD or the recipient of contracts financed by AFD;
- at the time of writing, no corporate officer was related to the company or one of its subsidiaries by a service contract that provided for the granting of any benefits.

3.1.3.5 The specialised committees of the Board of Directors

The Board of Directors may delegate a part of its powers, to the degree that it determines, to three specialised committees (for operations in the French Overseas Departments and Collectivities, for operations in foreign countries and for supporting the initiatives of non-governmental organisations). The specialised committee for activities in the French Overseas Departments and Collectivities includes three representatives of the French State, two of whom are appointed by decree of the Minister responsible for the French Overseas Departments and Collectivities and the third appointed by decree of the Minister of the Economy. The specialised committee for activities in foreign countries includes five representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a further two of whom are appointed by the Minister of the Economy and the fifth appointed by decree of the Minister of Immigration 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 and a Group Risk Committee, composed of three to five qualified financial and risk analysts. The Audit Committee provides its opinion to the Board of Directors whenever necessary and at least yearly on the Agency's financial statements, the effectiveness of its internal control and the management of its risks. The Risk Committee advises the Board of Directors on AFD Group's overall strategy and risk appetite.

The Agency borrows over the short, medium and long term in France and abroad, either through financial organisations, or by issuing bonds, notes, securities or any other debt instrument. It performs all financial transactions required for its activities. The Agency's transactions are recorded in accordance with the rules concerning trade and in compliance with regulations governing credit institutions. A Government Commissioner, appointed by the Minister of the Economy, performs the duties set out in Article L.615-1 and Articles D.615-1 to D. 615-8 of the French Monetary and Financial Code for the Agency. The Agency's financial statements are audited by two statutory auditors, appointed pursuant to the provisions of Articles L.511-38, D. 511-8, D. 511-9 and D. 612-53 to R.612-60 of the French Monetary and Financial Code. The statutory auditors are bound by the obligations provided for in Article L.511-38.

Article R.515-19 of the French Monetary and Financial Code stipulates that the Board of Directors shall meet at least four times per year when called by its Chairman. During 2019, the Board of Directors and its specialised committees met 34 times.

3.1.4 Compensation and benefits to the executive offices

In accordance with Act No 2005-842 of 26 July 2005 on economic trust and modernisation, please see below for the compensation paid in 2019 to each corporate officer:

TOTAL GROSS COMPENSATION (IN EUROS)

- Rémy Rioux, Chief Executive Officer (start of term, 02/06/2016): 213,535;
- Bertrand Walckenaer, Associate Chief Executive Officer (start of term, 14/02/2019): 142,892;
- Philippe Bauduin, Deputy Chief Executive Officer (start of term, 12/07/2016): 160,825.

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

3.1.5 Compensation and social benefits of corporate officers

AFD's directors receive no payment or benefits in kind.

3.1.6 Other information

3.1.6.1 Any limitations that the Board of Directors places on the powers of the Chief Executive Officer (Article L.225-37-4 of the French Commercial Code)

Unlike commercial companies, AFD's EPIC (industrial and commercial public undertaking) status does not permit it to limit the powers granted to the Chief Executive Officer by the Board of Directors. The powers granted to the CEO are laid down in AFD's Bylaws and the Chief Executive Officer exercises them with respect for the rights of the Board of Directors.

3.1.6.2 Summary table of the valid delegations granted by the general meeting of shareholders with respect to capital increases, pursuant to Articles L.225-129-1 and L. 225-129-2 of the French Commercial Code, showing how those delegations were used during the financial year

Not applicable.

3.1.6.3 The specific terms and conditions of shareholder participation in the general meeting or the provisions of the bylaws that provide for such terms and conditions (Article L.225-37-4 of the French Commercial Code)

Not applicable.

3.1.6.4 Report by the statutory auditors drawn up pursuant to Article L.225-235 of the French Commercial Code on the Board of Directors' report on corporate governance

The observations required by Article L.225-235 of the French Commercial Code are set out in the statutory auditors' report on the annual financial statements.

3.1.6.5 Items likely to have an impact in the event of a takeover or exchange offer (Article L.225-37-5 of the French Commercial Code)

Among the items referred to in Article L.225-37-5 of the French Commercial Code, there is no item that may have an impact in the event of a takeover or exchange offer.

3.1.6.6 Presentation of the draft resolutions relating to the principles and criteria for determining, allocating and distributing the fixed, variable and exceptional items comprising the total compensation and benefits of all kinds attributable to the Chairman, Chief Executive Officers, Deputy Chief Executive Officers, because of their mandate (Article L.225-37-2 of the French Commercial Code).

Not applicable as the executive officers do not receive variable compensation.

3.1.6.7 Agreements entered into, directly or by proxy, between, firstly, a corporate officer or a shareholder holding over 10% of a company's voting rights and, secondly, another company in which the former owns, directly or indirectly, more than half of the capital, with the exception of agreements relating to current transactions and entered into under normal conditions

Corporate governance	Additional information
Name of the convention Further information Agreements and commitments approved in previous years which continued to be performed	
WITH SOGEFOM	
Service agreement entered into between AFD and Sogefom	Fee paid to AFD in 2019: €2 002K
WITH SODERAG	
Cessation of interest on advances to current accounts	n/a
Provision of non-interest bearing shareholder advances to Soderag	At 31 December 2018, Soderag's debt to AFD (under agreements signed between 1997 and 2005): €106,346K (excluding interest)
WITH THE THREE DEPARTMENTAL CREDIT COMPANIES (SDCS)	
Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from Soderag by the three SDCs	• Outstanding loans at 31 December 2019: SODEMA: €9 641K SODEGA: €13 108K SOFIDEG: €535K • Fee paid to AFD in 2019 SODEMA: €59K SODEGA: €160K SOFIDEG: €30K • The credit risk borne by AFD was covered by a provision of €20 111K at 31 December 2018, i.e. a net reversal of €658K
WITH FERDI-FONDDRI	
AFD/FERDI loan agreement FONDDRI loan agreement	At 31 December 2019, the outstanding loans granted by AFD stood at €25M
WITH PROPARCO	
Co-financing framework agreement between Proparco and AFD	Declared by Proparco in regulated agreements No impact in 2019
Agreement to manage AFD's contribution to the African Agriculture Fund of 18 December 2014	Declared by Proparco in regulated agreements No impact in 2019
AFD/Proparco Service Agreement	Declared by Proparco in regulated agreements Remuneration for AFD in 2019: €54,032 thousand
WITH THE EIB	
Agreement for the deployment of "Junker Plan 1" in French Overseas Departments	
WITH THE NGOS	
Coordination SUD - Financing of the FRIO facility (2016-2017 financial year)	Maximum amount of €584, At 31 December 2019, payment of €584
Coordination SUD - Financing Agreement	Grant of €65 thousand / At 31 December 2019, payment of €65 thousand

Corporate governance	Additional information
Name of the convention Further information Agreements and commitments approved in previous years which continued to be performed	
National Secular Solidarity Committee (Comite National de Solidarité Laique or CNSL) - Programme for Developing Education Networks in West Africa (final phase 2016-2018)	Maximum amount of €910 At 31 December 2019, payment of €910
CS_Financing of the three-year activities programme.pdf	A meeting of the Board of Directors on 23 February 2017 authorised the conclusion of an agreement with Coordination SUD for €2,943. At 31 December 2019, payment of €2,943
CNSL_Financing of a project to support citizen participation in Colombia.pdf	A meeting of the Board of Directors on 13 July 2017 authorised the conclusion of an agreement with CNSL for €350 thousand. At 31 December 2019, payment of €350
WITH THE NGOS CNSL_Improvement of the quality of nursery schools in Sri Lanka	Grant of €375 approved. At 31 December 2019, payment of €208
CNSL_ Coalition Education phase 2	Grant of €272 approved At 31 December 2019, payment of €171
New agreements authorised by the Board of Directors	
WITH THE NGOS	
N/A	
WITH PROPARCO	
Mandate agreement relating to the "transforming financial systems for the climate" (TFSC) programme	AFD's Board of Directors' meeting on 28 September 2018 authorised the conclusion of an agreement with Proparco. The agreement was signed on 14 October 2019
Agreements and commitments not previously approved	
N/A	

3.2 Compensation policy and practices

3.2.1 Compensation policy governance

Article L.511-89 of the French Monetary Code, resulting in particular from the implementation of the CRDIV directive, requires that banks and financing companies of "significance" establish an Appointments Committee and a Compensation Committee and refers to a decree from the Minister of the Economy for the definition of "significance".

Article 104 of the Decree of 3 November 2014 uses, as the sole criteria for determining "significance", the fact that the total company or consolidated balance sheet exceeds €5 billion, meaning that these provisions apply to AFD, while the CRDIV directive contains provisions that have not been transposed and which would exempt AFD from establishing these committees.

However, the establishment of Appointments Committees and Compensation Committees conflicts with certain bylaw and legal provisions and certain organisational rules on State public undertakings applicable to AFD.

With regard to Compensation Committees, pursuant to Article 76-2 and Article 95-1 of the CRDIV directive, governments are only obliged to stipulate that Compensation Committees are established in undertakings that are "significant" in terms of their size, but also in terms of their internal organisation and the nature, scope and complexity of their activities. These derogations and criteria established by the CRDIV directive and Article L.511-89 of the French Monetary and Financial Code were not specified in the Decree of 3 November 2014.

It should be noted that the compensation paid to all AFD employees, including the Executive Committee and "individuals whose activities have a significant impact on the company's risk profile", is determined by AFD's bylaws. Moreover, no variable compensation is awarded. This particular characteristic of AFD, together with the partial transposition of the CRDIV directive into French law, argues in favour of exempting AFD from establishing a committee which would, ultimately, not have the power to exercise the prerogatives expected by the regulator.

The HR function is the only entity involved in designing and implementing the compensation policy. The reason for this is that no AFD employee receives variable compensation (except for profit sharing).

3.2.2 Principal compensation policy characteristics

3.2.2.1 Determining compensation

The compensation of every AFD employee is defined essentially using their salary point: on recruitment, a job level (comprising a range of salary points) is allocated to each individual in accordance with the strict definitions in the Staff Regulations. The salary point value is then determined, within this range, according to the employee's age, training and experience (there is a strong internal concept of fairness).

3.2.2.2 Compensation structure

Compensation comprises the following elements:

- **basic salary (Article 12.1 of the Staff Regulations)**

  For C to G grade employees, the basic salary includes compensation for all hours worked including overtime indiscriminately.

  "It is calculated by applying the Caisse Française de Développement value to the salary point. It is monthly and payable in arrears"(1);

- **Awards and bonuses (Article 12.2)**

  In addition to the basic salary, employees who meet the required conditions receive the following awards and bonuses; these are calculated on a pro rata basis according *to hours* of work for individuals whose working hours are fewer than the collective hours of work:

  - year-end bonus (12.2.1)

    It will be calculated on December's base salary as defined in Article 12.1 and multiplied by 1.4. For each employee, it is in line with the number of paid days over the year,

  - holiday bonus (12.2.2)

    the amount is identical for every employee. It is paid in three instalments: 20% at the end of February, 50% at the end of May and 30% at the end of August. For each employee, it is in accordance with the number of paid days during the period 1 June to 31 May,

  - dependent child(ren) and ascendant(s) family supplement (12.2.3)

    It is defined by a scale indexed to the value of the salary point,

  - long service bonus (12.2.4)

    A to C grade employees receive a long service bonus defined by a scale negotiated with the trade unions,

  - professional bonus (12.2.5)

    It is related to holding a type of position and is paid to every employee who holds this type of position. The types of positions in question and the corresponding bonus amounts are decided by the Chief Executive Officer. The bonus stops being paid if the employee is transferred to a position to which the professional bonus does not apply,

  - personal supplement (12.2.6)

    The company may, on an exceptional basis, pay personal compensation supplements, on a provisional basis, other than those described above, primarily in accordance with the specific positions held or to address exceptional situations. These personal compensation supplements are paid for as long as the reason for their being awarded continues. Management will inform the Employee-Management Committees provided for in Article 58 of the Regulations about measures taken in this respect;

- some employees receive a supplementary retirement allocation according to their retirement plan;
- no employee (including directors) receives individual variable compensation, whether deferred or not (e.g. bonus, shares, stock options etc;
- employees also enjoy employment benefits, such as supplementary defined contribution retirement plans, health fees and insurance, and housing loans financed entirely or partly by AFD;
- expatriate employees also enjoy several allowances related to their expatriate status.

Lastly, any employee on a fixed term or indefinite-term contract, whether full or part-time, who has three months of service within AFD (excluding employees whose contracts were entered into locally and are not governed by French law), receives, in addition to their fixed compensation, an annual profit sharing component calculated using indicators related to the Group's operations, cost control, efficiency and overall effectiveness.

3.2.2.3 Changes in compensation

The arrangements for implementing the compensation policy place a significant emphasis on informing, consulting and negotiating with the unions.

Compensation for AFD employees may be re-evaluated by (i) increasing the value of the salary point, (ii) and/or a general revaluation (or by job level) of salary points, (iii) and/ or the award on an individual basis of salary points. General increases together with the budget for individual increases are negotiated on an annual basis during the Mandatory Annual Negotiations (NAO) and are subject to the framework of AFD's supervisory ministries. There is a safeguard clause for salary point increases which ties the increase in AFD's salaries to the increase in government civil service salaries over a three-year period.

An individual increase in basic salary agreed by Management is based on an assessment of an employee's mastery of his or her position in accordance with the terms and conditions provided in Heading III Chapter II of the Staff Regulations on evaluations. Individual increases are distributed fairly between departments, job levels or men/women. For a promotion decision, a minimum number of salary points must be awarded according to the job level.

An Employee-Management Committee enables employees to appeal in the event that they disagree with the Management's decision or when an employee has not had an individual promotion for four full years.

3.2.2.4 Early termination of the employment contract

Compensation payments for early termination of an employment contract are defined in Heading V of the Staff Regulations.

In addition to the particular cases referred to in Articles 25, 28 and 30-3, an employee may be dismissed:

1° for economic reasons;

2° on the grounds of professional incompetence;

3° as disciplinary action;

4° on the grounds of medical unfitness.

In the event of dismissal for the following reasons, compensation is calculated on the basis of an average monthly salary, which

(1) Extract from Staff Regulations

is defined as a twelfth of the compensation over the previous 12 months:

1° Dismissal for economic reasons:

Compensation for dismissal paid to an employee at the end of the notice period is equal to one and a half months of this average monthly salary per year of service up to the sixth year inclusive, and to one and three-quarter months of this salary for every year of service beyond the sixth year.

For employees whose services were performed partly in French Overseas Departments and Collectivities and/or abroad and partly in mainland France, or vice versa, compensation is calculated on a pro rata basis in relation to the time spent in each of these postings, according to the following terms and conditions:

- the portion of the compensation relating to their services in mainland France is calculated on the basis of one twelfth of their annual reference salary in mainland France;
- the portion of the compensation relating to their services performed in French Overseas Departments and Collectivities and/or abroad is calculated on the basis of one twelfth of the annual salary allocated to an employee ranked on the same salary point in the last posting in French Overseas Departments and Collectivities and/or abroad.

The amount of the dismissal compensation may not be less than three times the average monthly salary, or more than 18 times this salary.

Only full months of service are taken into account to determine the dismissal compensation.

2° Dismissal on the grounds of professional incompetence:

Compensation for dismissal paid to an employee at the end of the notice period is set by the Chief Executive Officer. However, this compensation may not be less than half of that provided in the event of dismissal for economic reasons.

3° Dismissal as disciplinary action:

The amount of compensation potentially awarded to an employee is determined by the Chief Executive Officer when giving notice of the penalty in accordance with legal provisions. Only serious or gross misconduct results in no compensation for dismissal.

4° Dismissal on the grounds of medical unfitness:

Compensation for dismissal paid to an employee pursuant to the procedure set forth in Article 25 of the Staff Regulations is equal to half the compensation payable in the event of dismissal for economic reasons and, as a minimum, equal to the legal compensation provided by the French Labour Code in this event.

3.2.3 Information about compensation for executive officers and individuals whose professional activities have a significant impact on the company's risk profile

As previously stated, the compensation principles and changes described above are applicable to all AFD employees, including the Executive Committee and "individuals whose activities have a significant impact on the company's risk profile".

At AFD, executive officers and individuals whose professional activities have a significant impact on the company's risk profile belong to the following categories:

- the Executive Committee (including Proparco's Chief Executive Officer);
- the management committee, Notably:
  - deputies to the Executive Directors and to the General Secretary,
  - departmental Directors,
  - the Communications Department and French Global Environment Facility (FFEM) managers and the Director of the Office to the Chief Executive Officer (who are also members of the Management Committee (CODIR),
  - managers of the Board and Second Opinion secretariats,
  - the Deputy Heads of the DCO (Compliance), ROC (Permanent Control) and IGE (General Inspection) Departments,
  - managers of the CLI (Climate) and CCC (Crises and Conflicts) Divisions, and the manager of the CLS (Social Ties) unit;
- and employee representatives on the Board of Directors.

The total amount of compensation of any kind paid during the 2019 financial year to all people falling within these categories (65 positions and 70 employees) amounted to €7,264,175.

Furthermore, the total compensation paid to executive officers (Chief Executive Officer, Deputy Chief Executive Officer and Associate Chief Executive Officer), the Risks Executive Officer, the Head of Compliance and the Head of Permanent Control amounted to €870,857 in respect of 2019 (for the incumbent individuals as at 31 December). These amounts are the total compensation amounts of any kind paid during the 2019 financial year to all persons within these categories.

4
CHAPTER

Risk management

4.1 Risk factors

4.1.1 Banking and financial risks

4.1.1.1 Credit risk

Credit risk is defined as the risk of a borrower failing to repay all or some of their loan within the schedule stipulated in the agreement signed with the AFD Group. The level of credit risk (rating) reflects the likelihood of the borrower defaulting on their obligations. This risk is assessed during the credit check and forms the basis of the decision of whether to grant the loan combined with the institution's risk appetite and the system of regulatory and internal operational limits (individual, geographical, sectoral etc.) in place. This level of risk is reassessed periodically, and at least once a year, to identify any degradation of that risk subsequent to the loan being granted and to provision accordingly. This provision is based on the estimated debt recovery rate and is used to calculate the cost of risk of the institution, also factoring in losses.

Overview of the AFD Group's credit risks at 31/12/2019

AFD Group	Balance sheet 31/12/2019	Off-balance sheet 31/12/2019	Total 31/12/2019	Breakdown of commitments 31/12/2019
AFD corporate entity				
Non-sovereign financing	13,400	3,136	16,536	34%
of which French Overseas Departments and Collectivities incl. subsidiaries SIC/Socredo/Soderag	*5,629*	*528*	*6,157*	*13%*
of which Foreign Countries and sub-part. Proparco	*7,746*	*2,608*	*10,354*	*21%*
of which other	*25*	*0*	*25*	*0%*
Sovereign financing	17,309	10,588	27,898	58%
AFD financing subtotal	30,709	13,725	44,434	92%
Proparco (own behalf)	3,225	623	3,848	8%
GROUP TOTAL	**33,934**	**14,348**	**48,282**	**100%**

Breakdown of credit risks on AFD Group loans by level of risk and associated provisions

In millions of euros	Balance sheet 31/12/2019	Off-balance sheet 31/12/2019	Total 31/12/2019	Breakdown of commitments 31/12/2019
Healthy risk (stage 1)	24,646	11,328	35,973	75%
IFRS 9 provisions	102	70	172	9%
Sensitive risk (stage 2)	7,980	2,926	10,906	23%
IFRS 9 provisions	401	497	897	49%
Doubtful risk (stage 3)	1,310	94	1,404	3%
Individual provisions	744	0	744	41%
TOTAL RISK	**33,935**	**14,348**	**48,282**	**100%**
TOTAL PROVISIONS	**1,246**	**567**	**1,814**	**100%**

Outstandings in risks categorised as doubtful (stage 3) are limited to 3.8% of total group outstandings at 31/12/2019 with provision of 56% on average.

Factors affecting credit risk

Owing to its remit and the nature and location of its borrowers in emerging or developing countries, the AFD Group is particularly exposed to macroeconomic fluctuations and geopolitical and regional financial events that may have a significant impact on its activities and financial solvency of borrowers, thus potentially generating a higher risk that is, by nature, more volatile. As an example, the AFD portfolio was successively impacted by the crises in Turkey in 2018, and in Argentina and Lebanon in 2019, which led to most counterparties in the portfolio being downgraded as doubtful outstandings - primarily those linked to the banking sector which was most affected - and an increase in the associated provision rate.

However, the group's credit risk is naturally mitigated owing to:

- The global geographical diversity of the portfolio (operations in 121 countries) as presented below, within the framework of the Group's limit system.

Breakdown by geographical area of risks in respect of AFD Group loans

In millions of euros	Central and Southern Africa	Latin America. Central America and Caribbean	Asia-Pacific	Middle East and North Africa	Europe	Multi-country foreign	French Overseas Departments and Collectivities - Outre mer	Total
AFD Sovereign	9,397	4,765	7,688	5,107	941	0	0	27,898
AFD non-sovereign	2,839	2,120	886	1,690	908	1,934	6,158	16,536
Proparco	1,081	1,163	477	322	451	330	22	3,848
GROUP TOTAL	**13,317**	**8,048**	**9,052**	**7,120**	**2,300**	**2,265**	**6,180**	**48,282**

- The diversity of the portfolio by counterparty type.

Breakdown of risks on AFD Group loans by counterparty type

Loans *In millions of euros*	31/12/2019
Local authorities	5,538
Public institutions	25,009
Public financial institutions	3,861
Private financial institutions	3,675
Private non-financial entities	4,121
Public non-financial entities	6,078
TOTAL	**48,282**

- The proportion of the Group's activity in French Overseas Departments and Collectivities for which the associated credit risk is significantly reduced owing to the implicit support of the French state for most of the counterparties in question (local authorities in particular). Risk exposure in French Overseas Departments and Collectivities accounted for 37% of the Group's non-sovereign risk as of end-2019.

Climate risks

Owing to its operations in a significant number of countries that are potentially subject to climate risks, AFD is exposed to the impact of climate risk in respect of some of its borrowers which may increase the associated credit risk. As the biggest category of risk associated with climate change, physical risks may have consequences that could affect the real economy and financial institutions. As such, AFD's regulator (French Prudential Supervisory and Resolution Authority) has asked banking and insurance providers to include this aspect in their risk analysis. As a response, as part of its climate strategy, AFD has taken a proactive approach in order to better factor in these risks in its banking practices. As such, as recommended by the regulator, the exposure of the AFD Group's portfolio to physical climate risks was mapped in 2018.

The sample analysed accounts for 80% of the portfolio of AFD Group loans at 31/12/2017, 60% of the total balance sheet and 20% of borrowers, i.e. 200 borrowers analysed. Each borrower was scored on exposure to physical risks. The score itself(1) comprises 5 climate indicators (extreme heat, extreme precipitation, rising sea levels, cyclones, drought). In total, 63% of borrowers in the sample were assigned at least one point where attention was required, which means that these borrowers have a climate exposure score higher than or equal to the 90th percentile of the AFD sample. 23% of counterparties (17% of outstandings) had 2 points requiring attention and only 6 counterparties (4% of counterparties and 2% of outstandings) had three points requiring attention. At this stage, this relative and theoretical climate exposure of the portfolio – not factored into the credit rating for methodological reasons essentially linked to the time horizon - has never resulted in an impact on the risk profile of a counterparty. AFD has developed a methodology and ad hoc operational tools to assess and monitor exposure in the portfolio or new operations. In particular, the purpose of the tools developed is to systematically enter into dialogue with our counterparties to provide them with support in putting in place strategies to adapt to physical risks.

In parallel, in 2020 AFD will continue its methodological work on assessing transitional risk, the second type of climate risk, to which it is by design less exposed due to the high proportion of sovereign borrowers in its portfolio and its remit according to which its financing is fully compliant with the provisions of the Paris Climate Agreement.

(1) The score measures change between a benchmark period (1975-2005) and a projected period (2030-2040).

4.1.1.2 Geopolitical and macroeconomic risk

Owing to the scope of its operations, AFD is exposed to the emergence of crises of political or geopolitical origin. This risk may take the form of any national or international political or administrative risks which could result in economic, commercial or financial losses for importers or exporters or businesses with investments overseas. As an illustration, the effects of contagion linked to regional conflicts (Middle East[(1)] or the Sahel[(2)]) or the rise of protectionist trading policies (United States and China[(3)] or Brexit) fall into this category.

Although this type of risk is, by nature, largely exogenous, in making operational decisions, AFD limits its operations in a given region based on the risk appetite framework relating to the risk of concentration[(4)].

Concentration risk is one of the main risks identified at AFD. It is managed using internal limits and through compliance with the regulatory ratio for major risks. The Group is required to systematically manage, measure, aggregate and control its exposure through a single counterparty or group of counterparties linked across all portfolios and activities.

The AFD Group systematically factors in this geopolitical and macroeconomic risk, on the one hand by its very nature in its Strategic Orientation Plan, but also through all sensitivity tests affecting its economic and financial model (ICAAP, ILAAP, PPR etc.) and particularly exercises to simulate the provisional cost of risk for the Group. However, the Group inevitably remains exposed to an exceptional situation that cannot be modelled which could involve the simultaneous emergence of a large number of high-intensity geopolitical crises in regions with significant activity.

4.1.1.3 Refinancing risk

The AFD Group, including its subsidiary Proparco, does not receive any repayable funds from the public. As its funding model is essentially based on medium and long-term market borrowings, liquidity is a priority in terms of the Group's performance target, which involves keeping the cost of resources under control and minimising the carrying cost[(5)].

Changes to AFD's condensed balance sheet are presented below. Most of AFD's funding is from market borrowings.

In millions of euros	Acct 31/12/2017	Acct 31/12/2018	Acct 31/03/2019	Acct 30/06/2019	Acct 30/09/2019	31/12/2019	Var. balance sheet 1 year	Var. Balance sheet Sept. to Dec.
TOTAL ASSETS	**40,922**	**44,958**	**45,817**	**46,326**	**47,663**	**47,850**	**2,893**	**188**
Gross outstandings	32,241	35,736	36,301	36,169	37,099	38,328	2,592	1,229
(-) individual impairments	*-446*	*-471*	*-485*	*-526*	*-528*	*-539*	*-68*	*-11*
(+) accrued interest	*151*	*168*	*273*	*174*	*277*	*174*	*6*	*-103*
Investment portfolio	778	764	784	750	754	713	-52	-41
Short-term cash assets	4,825	5,314	6,258	6,761	6,791	6,004	691	-787
Equity stakes at cost and in companies accounted for by the equity method	749	759	759	865	865	873	114	8
Fixed assets	224	232	230	235	234	227	-6	-7
Accruals and other assets	925	968	909	1,148	1,387	1,313	345	-74
IMF-PRGF transactions	1,475	1,487	788	749	785	758	-729	-27
TOTAL LIABILITIES	**40,922**	**44,958**	**45,817**	**46,326**	**47,663**	**47,850**	**2,893**	**188**
Borrowings from French Treasury	1,375	1,703	1,703	1,703	1,943	1,943	240	0
Market borrowings	29,052	32,378	33,982	34,218	34,721	35,156	2,778	435
Current accounts	454	394	383	351	332	470	75	138
Managed funds and government advances	76	826	843	880	1,104	904	78	-200
Accruals and other liabilities	2,041	1,488	1,358	1,621	1,877	1,685	197	-192
Provisions	1,195	1,204	1,238	1,250	1,291	1,327	122	36
Provision retained earnings	5,040	5,331	5,331	5,448	5,448	5,448	116	0
Income FY	215	145	190	106	162	160	15	-1
IMF-PRGF transactions	1,475	1,487	788	748	784	758	-729	-26

(1) Exposure end-December 2019: €5 billion (Egypt, Jordan, Lebanon, Turkey, Yemen).
(2) Exposure end-December 2019: €1.2 billion (Burkina Faso, Mali, Mauritania, Niger and Chad).
(3) Exposure end-2019: €1.4 billion (geography of project implementation)
(4) Portfolio risk of a bank arising from its concentration on a single counterparty, sector or country.
(5) The carrying cost of a resource is the difference between the cost of financing and interest from investing the resource.

As such, the AFD Group's liquidity risk takes the form of:

- Its inability to fund the development of its assets and to repay commitments made at a time when financing or repayments appear;
- Its temporary inability to raise capital at a reasonable cost.

Measures put in place by AFD to guard against refinancing risk enable it to be restricted to situations of systemic risk.

4.1.1.4 Interest rate risk

The Group does not have a trading book or speculative operations portfolio. As such its interest rate risk is only linked to its credit activity and is part of its "banking book".

Interest rate risk in the banking book refers to current or future risk to which the AFD Group's equity or profits are exposed owing to adverse fluctuations in interest rates which influence the positions of the institution's banking book.

As part of its risk appetite framework, the Group has chosen the EVE (Economic Value of Equity) sensitivity indicator to manage its interest rate risk. This regulatory indicator provides indications of the potential impacts of interest rate shocks on the variation in the economic value of equity and thus ensures that this variation is managed in relation to a benchmark scenario.

For information, measuring the sensitivity of the economic value of the AFD Group's equity based on six scenarios ("increase in parallel rates", "reduction in parallel rates", "increase in short-term rates", "steeping of the curve", "flattening of the curve") compared to the central scenario indicates that, as of 30 September 2019, the "increase in parallel rates" is the most adverse scenario with a loss of equity value of around €735 million.

4.1.1.5 Foreign-exchange risk

The AFD Group defines foreign-exchange risk as current or future risk to which its equity and its profits are exposed owing to adverse exchange rate fluctuations.

The AFD Group's exposure to foreign-exchange risk is tolerated to a marginal degree in the case of its local currency loans. No negotiating position would expose it to this risk. Exposure to this risk can increase occasionally due to internal events, such as the disbursement of small amounts of currency that are not hedged, but above all to external events, such as arrears, counterparties defaulting on a loan in a local currency or the receipt of share dividends in local currency.

4.1.2 Non-financial risks

4.1.2.1 Reputational and accountability risk

For the AFD Group, as for all players in the development sector, reputational risk is among the major risks that could have a significant impact on activities and the economic and financial model. Reputational risk is particularly high for three reasons: first, the purpose of our financing is often to respond to environmental and social challenges in the countries where we operate. These sectors, which affect the most vulnerable populations and areas, are closely monitored by civil society organisations. Finally, the geographical scope of the Group's operations exposes it to certain countries where the business environment is impaired, particularly in terms of corruption and financial security (see below). Finally, owing to its public interest remit as set out in its bylaws and agreements with institutions signed in countries where it operates, the AFD Group has a duty of accountability and to lead by example in implementing the best practices in financing development assistance.

A reputational attack on its activities could tarnish the credibility of the AFD Group as an operator, reduce the level of finance awarded and reduce demand on the part of our partners and clients due to the resulting loss of confidence.

This sensitivity to reputational risk takes the form of a body of preventative procedures and contractual commitments related to compliance, combating corruption, managing environmental and social risks, preventing conflicts of interest and business ethics. The AFD Group has also opted for an organisational structure with a significant focus on the grassroots, operations and their management. This choice has just been reaffirmed with the introduction of a strategy to decentralise the registered office in favour of Regional Departments on the ground, thus strengthening the control chain.

Finally, in addition to quality and risk management requirements, the heart of the procedure for processing and monitoring loans and grants awarded, the Board of Directors which includes, in particular, independent experts from civil society, is an additional bulwark in the event of a failure to identify or measure a risk of this nature.

4.1.2.2 Risk of misuse of loans, risk of fraud/corruption, money-laundering and financing terrorism, non-compliance with economic and financial sanctions

As a key player in French public policies in terms of development and international solidarity, the AFD Group is particularly attentive to the proper allocation of its funds and does its utmost to ensure that they serve their intended purpose. This concern is intrinsically linked to its remit as set out in its bylaws and strategic orientations under which its fundamental mission is to combat poverty and promote growth in the countries in which it operates. Corruption, fraud and any form of misuse of public and private assistance would have a significant impact on such missions. The same is true of any financing that would result in the Group inadvertently supporting money-laundering or the financing of terrorism.

The AFD Group operates in a very specific environment: in particular it supports countries that are in crisis, are vulnerable, have limited capacity and/or are stigmatised in the corruption perception index produced by civil society. It often supports weak public contracting authorities, in areas of public finances where the regulatory environment is weak or, in a number of countries, operates in sectors, particularly banking and finance, that are weak or lack maturity in terms of regulation and control. The group also grants funding in countries that are subject to international, EU or domestic economic and financial sanctions.

The AFD Group is particularly aware of the specific features of this operational context. As such, it has put in place measures to prevent, detect and manage risks of misuse of funding, the risk of fraud and corruption, the risk of money-laundering and financing of terrorism and non-compliance with economic and financial sanctions. Despite this robust set of measures, the Group may be faced with the predation of its funding or could inadvertently support money laundering or the financing of terrorism. This situation could result in a legal risk for the Group and adversely affect its image and reputation. To date, the AFD Group is not facing any litigation in France or overseas for non-compliance on financial security, corruption or non-compliance with sanctions.

4.1.2.3 IT and cyber risk

As is the case of all financial institutions, AFD's exposure to the risk of data breaches, cyber-crimes or IT failures has increased in recent years due to a combination of a number of factors: the mass outsourcing of IT solutions and services; the increase in the number of cyber-attacks, the modus operandi of which are increasingly elaborate; and finally the ambition of the AFD Group to become a “digital donor” by 2022. The digital transition has indeed been identified as one of the six major transitions introduced as part of the Strategic Orientation Plan for 2018-2022 and changes made since, particularly the mass introduction of paperless documents and processes, have increased the Group's reliance on IT resources.

The Group cannot completely eliminate risks of the malfunction or outage of its systems, failure of its IT providers or malicious acts on the part of its own employees or third parties (particularly the risk of leaks of confidential data in the event of piracy and the risk of destruction of data centre software). Although, to date, AFD has never been the victim of a cyber-attack on this scale, were these risks to materialise, they would have significant impacts on the Group's activity, its reputation (in the case of a leak of confidential or personal data for example), on its ability to respond to certain regulatory requirements and engender non-negligible financial losses (in the event of a misuse of AFD funds for example, or an IT risk exposing AFD to a fine).

In addition to the consequences of the risk of a cyber-attack, the AFD Group is beginning to overhaul the part of its IT system linked to the Finance and Risk functions, with a dual objective of making efficiency savings and developing functionality tailored to future regulatory requirements and expansion. Diagnostics, encryption, phasing and allotment for this project were carried out in 2019. The roll-out began in 2020 and is expected to take 5 years. Completion by project cluster will be in progressive stages to allow the delivery of new tools and/or the upgrading of existing tools from 2020. As with any other transformation, it carries a risk, particularly in terms of staying on budget and meeting deadlines. Specific governance involving the COMEX and a dedicated programme team reporting to Senior Management and the loan of full-time teams attest to the strengthened management to meet these challenges.

4.1.2.4 Regulatory risk

Changes to the regulatory and legislative environment may have a significant impact on the AFD Group's operations.

Changes to European or French financial regulation legislation resulting in a significant increase in the capital required for AFD's banking activities could have significant impacts for the AFD Group. Firstly a strategic impact on the programme of activities with the withdrawal of, or significant reduction in, certain types of products, combined with an impact on the model linked to the reallocation of human resources towards other activities/products. Nor should the risk of an impact on profitability be ruled out. Profitability may be affected by increased expenditure, particularly following new capital expenditure and new resources put in place to limit operational risk linked to the introduction of new standards which could not be implemented on a like-for-like basis. Changes to the legislative framework remain largely unforeseeable like the introduction of Basel III, following the financial crisis. Whilst there is a high likelihood of such changes in the future, it is impossible to assess in advance the nature and scope of these.

4.1.3 Health and Safety Risks

RISKS RELATED TO THE SPREAD OF A GLOBAL EPIDEMIC

The current health crisis linked to covid-19 is an example of this type of risk. Although, as of the date of this document, changes remain uncertain, the expected impact could be three-fold:

- **an impact on the implementation of the AFD Group's annual programme of activities,** resulting from prolonged travel restrictions and confinement measures associated with this type of health crisis which are liable to slow down processing. This will also be a result of the reduced capacity of our counterparties to jointly with AFD assess and implement projects and financing. This negative impact on the initial business plan could however be mitigated by the responses on which AFD is working to tackle the health crisis in its operating regions. The extent (regions impacted) but above all the duration of the crisis will be two factors that determine the final impact;
- **the weakening of certain portfolio counterparties** following the spread of the health crisis in the global economy, but above all in emerging and developing economies. However, the potential impact of this health crisis on the counterparties of the AFD Group will depend on its duration, its extent, but also budgetary and monetary measures taken by governments and international organisations to support SMEs, multinational companies and financial institutions;
- **health risk for employees and their families, although the AFD Group has a policy of strict, immediate compliance with the recommendations of government and public health agencies across its French sites. Overseas, the situation is managed on a case-by case basis, particularly on the basis of the recommendations of the French Ministry of Europe and Foreign Affairs and the recommendations of the local authorities. A crisis unit was set up when French authorities moved to stage 2 and the recommendations were circulated and applied in real time. On 16 March 2020, AFD launched its Business Continuity Plan (BCP) for its sites in mainland France.**

4.1.3.1 Risks linked to employee security

Owing to the geographical scope of its operations and locations, AFD is particularly vigilant to risks faced by employees on the ground. In addition to staff recruited locally, AFD sends employees overseas either as expatriates or on assignment, for the purposes of local representation and to monitor financing projects. Employees working in the network (staff recruited locally and expatriated) account for around a third of AFD's total workforce. AFD operates in 115 countries. This means it is liable as an employer irrespective of the extent of existing risks on the ground.

These risks vary in nature according to the country: climate risks, seismic or volcanic risks, risks of accidents (traffic accidents in particular) risks linked to inadequate public health and safety infrastructure. But the biggest risks remain the risk of political instability and terrorism (attacks, kidnapping, uprisings etc.). Indeed, AFD is present in certain regions that are particularly exposed (Sahel, Iraq, Palestinian Autonomous Territories, Pakistan etc.), in which the risk of danger to its employees is deemed to be very high, despite the operational security measures in place and continuously adapted to changing contexts of vulnerability or crisis. Certain events could lead AFD to reduce its activities in certain countries, to rely on degraded systems (as in the case of China – early 2020 – where the Beijing local office had to introduce remote working methods faced with the confinement of Chinese employees imposed by local authorities as a response to the coronavirus epidemic), or even to close certain local representations (as was the case briefly in Haiti - at the end of 2019 – where, as a response to a deteriorating security context, AFD decided to close its local office in Port-au-Prince so as not to expose its staff).

4.1.3.2 Risk of the 100-year flood

The 100-year flood is a major flood which has a one in one hundred chance of occurring each year. It is characterised by slow floods (10 to 15 days of floods, or even more before the water level drops) of which the biggest was in 1910 (+8.62 metres). AFD is exposed to this risk since its registered office, made up of a number of buildings, is located in Paris, not far from the Seine. The AFD buildings, which comprise a number of storeys and basements, are located less than 400 m from the bed of the Seine, and is in an area where, according to the City of Paris's Flood Risk Prevention Plan, water would exceed 30 metres in the event of a 100-year flood. In the event of a flood like the one in 1910, the ground floor of AFD's main building would be overrun with almost 60 cm of water and the basements submerged. As for the lowest point of the streets around the building, maximum water levels could reach over 1.5 m. Such flooding would prevent staff from accessing buildings and result in the temporary suspension of certain activities.

4.2 Basel III Pillar 3

4.2.1 General principles

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

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 AFD's prudential regime

Article 7 of the Decree of 23 December 2013 on the prudential regime for financing companies stipulates that they are required to comply with the provisions applicable to credit institutions pursuant to Regulation (EU) no. 575/2013 of the European Parliament unless otherwise exempted by this decree. These exemptions relate to:

- the leverage ratio;
- the liquidity management ratios (LCR and NSFR);
- the BRRD directive and its resulting MREL on the resolution of banking institutions in the EU.

4.2.2.2 Corporate purpose of the Group's parent company to which this measure applies

Agence Française de Développement (AFD)

Detailed information about AFD Group's corporate purpose is presented in Paragraph 1.1.2 "General information about AFD's capital".

4.2.2.3 Consolidation scope and methods

There is no difference with regard to consolidation principles between accounting data and prudential data. The consolidation scope and methods are defined in Paragraph 6 "Consolidated financial statements prepared in accordance with IFRS adopted by the European Union"; Note 6.2.3.1 "Consolidation scope and methods".

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

4.2.3 Risk Capital

4.2.3.1 Capital structure

The AFD Group's capital at 31 December 2019 was €7,466M, up €287M from €7,179M at the end of 2018. CET1 capital stood at €6,177M, compared with €6,131M at the end of 2018. Total Tier 1 increased from €6,971M to €7,018M.

Capital structure of the AFD Group at 31 December 2019

In millions of euros	
CET1 capital before deductions	6,177
CET1 deductions	0
CET1 capital after deductions	**6,177**
T1 capital before deductions	7,018
T1 deductions	0
T1 capital after deductions	**7,018**
T2 capital before deductions	448
T2 deductions	0
T2 capital after deductions	**448**
TOTAL CAPITAL	**7,466**

The breakdown of regulatory capital at 31 December 2019 was as follows:

- €6,177M category 1 base capital, comprising hard, non-refundable capital (mainly provisions and reserves);
- €840M additional category 1 capital in the form of undated subordinated bonds subscribed by the French State. The securities commitments made by AFD (which are obligatory under French law), in terms of principle and interest, are direct, unconditional, lowest rank subordinated commitments for an indefinite term without an AFD guarantee. Save for the occurrence of a regulatory event, as provided for in the agreement with the State (point of non-viability, i.e. non-compliance with the minimum CET1 ratio as provided by law at a specific time), the securities will pay an annual interest of 0.25%;
- €448M of Tier 2 capital (resources with special conditions).

When itemised, the capital breaks down as follows:

Consolidated risk capital

In millions of euros	31/12/19
Equity	2,808
Consolidated reserves	2,493
Earnings	68
Projected distribution (20% company income statement)	0
FRBG	460
Equity method diff.	146
Unrealised capital gains and losses	27
Minority interests	217
Intangible assets	-36
Exclusion of unrealised gains entered in KP	0
Prudent valuation	-5
CET1 capital	6,177
CET1 deductions	0
CET1 capital after deductions	**6,177**
T1 subordinated securities	840
T1 capital	7,018
T1 deductions	0
T1 capital after deductions	**7,018**
RCS	448
Subordinated loans, Art.	0
4d Subordinated loans, Art.	0
4c T2 capital	448
T2 deductions	0
T2 capital after deductions	**448**
TOTAL CONSOLIDATED CAPITAL	**7,466**

In millions of euros 4 Deductions and prudential restatements under CRR/CRD4

In millions of euros	31/12/2019	31/12/2018
Cut back of non-eligible minority interests	12.6	19.2
Exclusion of unrealised gains entered in shareholders' equity	0.0	0.0
Prudent Value Adjustment	-4.6	-4.1
TOTAL	**8.0**	**15.1**

Articles 81 and 479 of the CRR provide for the deduction from capital of the minority interests in entities not governed by the CRR and CRDIV, or equivalent requirements, with a transition period.

4.2.3.2 Capital adequacy

AFD easily meets the minimum capital requirements set out in Pillar 1, with a capital adequacy ratio of 16.75% at 31 December 2019, down on 2018 when it was 18.37%.

Consolidated AFD capital adequacy ratio at 31/12/2019

In millions of euros	RWA	Capital requirements
Credit risk (CAD)	38,205	3,056
Equity stakes and other long-term securities	2,825	226
TOTAL CREDIT RISK	**41,029**	**3,282**
DVA	2,126	170
Operational risk	1,418	113
Market risk	58	0
Total RWA excluding market risk	44,573	3,566
Regulatory capital		7,466
SOLVENCY RATIO		**16.75%**

Under Pillar 2, AFD began its Internal Capital Adequacy Assessment Process (ICAAP) in November 2016. Supported by a firm of consultants and involving teams from the departments concerned, several workshops were held in late 2016 and in the first quarter of 2017 to finalise the definition, approach, methodology and results of the calculations relating to material risks and to formalise the planning and capital allocation process. The formalisation of this first ICAAP was approved by AFD's Board of Directors in April 2017.

Work continued in 2019 for a 4-year period.

Capital adequacy

In millions of euros		
Total capital		**7,466**
CET1 capital	**6,178**	
Tier 1 capital	**7,018**	
Tier 2 capital	**448**	
Eligible capital		**3,566**
Credit risk	**3,282**	
Governments and central banks	1,759	
Banks	618	
Corporates	672	
Equities	232	
DVA	**170**	
Market risk	**0**	
Foreign currency net position < 2% of capital	-	
Operational risk	**113**	
Standard approach to operational risk	113	
Capital surplus or deficit		**3,900**
Solvency ratio		**16.75%**

Since the first ICAAP declaration in 2016, the process was reviewed in line with the change in its status to a financing company and in its risk profile. The methodological approach has been adapted and the process updated. In particular, AFD has focused its projections on the regulatory approach, which is more conservative than the economic approach with the key difference being that it factors in the definition of internal capital of instruments with the capacity to absorb losses, i.e. the reserve account.

AFD measures the adequacy of its capital using the two following approaches:

- the regulatory approach which is based on regulatory capital ratios;
- the internal approach which is based on the capital adequacy ratio and reserve account resources for hedging sovereign exposure.

Of the two approaches the most restrictive is used as a priority in decision-making processes relating to managing capital such as forward-looking assessments and the allocation of capital.

Through the internal approach, all risks are assessed using a process of identifying material risks. Financial capital requirements are then assessed only in the case of material risks to supplement any capital requirements dictated by the regulatory approach.

ICAAP has enabled the AFD Group to ensure that its capital is adequate to cover the material risks to which it is exposed, in terms of its activity, its economic model and its business plan. This process, approved by the Board of Directors at its meeting of 11 July 2019, applies to all entities within the prudential scope of consolidation of the AFD Group.

The ICAAP will be updated in the first half of 2020 to be presented to and approved by the Board of Directors, enabling the latest trends in activity to be factored in and to ensure alignment with the planned duration of the AFD Group's next Contractual Targets and Resources (2020 -2022) and changes to the Group's risk profile as set out in its Risk Appetite Framework.

4.2.3.3 Basel III ratios

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk. This year the capital requirement is nil (see. application Regulation (EU) N 575/2013 on capital adequacy with regard to the market).

AFD meets the minimum capital requirements with a capital adequacy ratio of 16.75%, compared with 18.37% at 31 December 2018.

4.2.3.4 Leverage ratio

Since AFD's status was changed to that of a "financing company" in 2017, it is no longer subject to this ratio.

4.2.4 Risk exposure and evaluation procedures

4.2.4.1 Credit risk

4.2.4.1.1. General information

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

Regarding risk stemming from loans, exposures that are in arrears, i.e. primarily loan risk, are monitored in the information system and are automatically downgraded as doubtful loans, in accordance with arrears rules defined by the regulations, and impairments are recorded. The approaches adopted for specific and general provisions and impairments are presented in Paragraph 6.2.3.2 of the consolidated financial statements. Ratings are reviewed on a periodic basis to ensure individual monitoring of counterparties.

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:

Assets *In thousands of euros*	31/12/2019 IFRS	31/12/2018 IFRS
Cash, due from central banks	1,259,133	1,399,405
Financial assets measured at fair value through profit and loss (excluding derivatives)	2,594,420	2,212,564
Financial assets at fair value through equity	1,512,546	1,464,695
Securities at amortised cost	1,221,164	1,301,006
Loans and receivables due from credit institutions	8,080,093	7,122,024
Demand	*2,164,099*	*1,908,646*
Term	*5,915,995*	*5,213,378*
Loans and receivables due from customers	28,822,617	26,485,764
Commercial receivables		
Other loans to customers	*28,822,617*	*26,485,764*
Overdrafts		
Finance lease		
Total loans and receivables	**36,902,710**	**33,607,788**
Held-to-maturity financial assets		
Equity stakes in companies accounted for by the equity method	146,753	150,105
Financial assets at fair value through profit and loss (Derivatives)	143,725	200,823
Hedging Derivatives	2,558,978	1,824,239
Derivatives	*2,702,703*	*2,025,062*
BALANCE SHEET TOTAL	**46,339,430**	**42,160,625**
Off-balance sheet		
Firm lending commitments	14,502,203	11,980,131
Financial guarantees	725,058	597,433
OFF-BALANCE SHEET TOTAL	**15,227,261**	**12,577,564**
GRAND TOTAL	**61,566,691**	**54,738,188**

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” (“ASSETS”).

The different types of financial assets are detailed in Note 5 to the consolidated financial statements – “Financial instruments at amortised cost”.

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

Equity stakes and other long-term securities

	31/12/2019			31/12/2018		
	IFRS			IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity stakes at fair value through profit and loss		1,199,384	1,199,384	1,047	921,931	922,978
Equity stakes included in financial assets recognised in equity		455,470	455,470		397,163	397,163
Companies accounted for by the equity method		146,753	146,753		150,105	150,105
TOTAL		**1,801,608**	**1,801,608**	**1,047**	**1,469,199**	**1,470,246**

Similarly, the following table breaks down the various items making up the derivatives heading presented in Notes 2 and 2.1 to the financial statements:

Derivatives

	31/12/2019 IFRS	31/12/2018 IFRS
In thousands of euros	Assets	Assets
Fair value hedging		
Interest rate derivatives	1,787,323	1,170,325
Interest rate and foreign exchange derivatives (cross- currency swaps)	771,655	653,914
Total 1	**2,558,978**	**1,824,239**
Financial assets at fair value		
Interest rate derivatives	374	2,827
Foreign exchange derivatives	65,402	81,970
Derivatives at fair value through profit and loss	77,917	115,914
CVA/DVA	**32**	**112**
Total 2	**143,725**	**200,823**
TOTAL DERIVATIVES	**2,702,703**	**2,025,062**

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	31/12/2019 IFRS	31/12/2018 IFRS
Commitments given	**15,227,261**	**12,577,564**
Financing commitments made to credit institutions	1,735,164	1,204,162
Financing commitments made to customers	12,767,039	10,775,968
Subtotal financing commitments	**14,502,203**	**11,980,131**
Guarantee commitments made to credit institutions	140,169	74,730
Guarantee commitments made to customers	584,889	522,703
Subtotal guarantee commitments	**725,058**	**597,433**

Financing commitments – geographic spread and breakdown by type of activity

	2019		2018	
In millions of euros	Audit	Audit	Audit	%
Financing commitments at the Group's risk	**14,407**	**99%**	**11,980**	**100%**
Of which foreign countries	13,879	96%	11,564	95%
Sovereign	10,409	72%	8,642	71%
Non-sovereign	3,470	24%	2,922	24%
Of which French Overseas Collectivities	528	4%	416	5%
Financing commitments at the State's risk	**95**	**1%**	**0**	**0%**
Loans guaranteed by the State	95	1%	0	0%
TOTAL GROUP FINANCING COMMITMENTS	**14,502**		**11,980**	

Guarantee commitments – geographic spread

	2019			2018		
In millions of euros	Foreign countries	French Overseas Departments and Collectivities	Total	Foreign countries	French Overseas Departments and Collectivities	Total
Guarantee commitments given – credit institutions	140	-	140	75	-	75
Guarantee commitments given – customers	465	120	585	427	95	523
GUARANTEE COMMITMENTS	**605**	**120**	**725**	**502**	**95**	**597**

4.2.4.1.1.3. Total impaired loans and provisions by major counterparty category and major geographic area:

Impaired loans and impairments recorded by counterparty category are presented in Note 5.2 to the financial statements – "Receivables due from credit institutions and customers".

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

In millions of euros	Outstandings	Impairments	Outstandings net of impairments
Foreign countries			
Sovereign	17,251	87	17,164
of which doubtful	*107*	*87*	*20*
Non-sovereign	12,067	587	11,480
of which doubtful	*806*	*385*	*420*
French Overseas Departments and Collectivities			
Non-sovereign	5,563	82	5,481
of which doubtful	*303*	*82*	*221*
Other outstanding loans	**118**	**0**	**118**
TOTAL	**34,999**	**755**	**34,244**
of which doubtful	*1,215*	*554*	*661*

4.2.4.1.1.4. Reconciliation of changes in provisions for impaired receivables

Note 9 "Provisions", in the notes to the financial statements, outlines the changes for each category of provisions and impairments.

4.2.4.1.2. Credit risk: portfolios under the standard approach and regulatory weightings

AFD chose the standardised method to calculate the risks used to determine the capital adequacy ratio. The weightings applied depend on the ratings given to countries or entities by external bodies (Moody's, FITCH and Standard & Poor's) and to the type of counterparty (third-party asset class). As most of the non-sovereign counterparties do not have a rating from an external body, they are weighted at 100% or 150% for doubtful debt.

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

Weighting used to calculate risks

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

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

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

Weighted exposures (in millions of euros)

Risk weighting	Sovereigns and other institutions	Banks	Corporates	Equities	Total
0%					
20%	787	1,002	10		1,799
50%	2,878	1,525	10		4,412
100%	17,053	4,949	7,330	530	29,863
150%	1,275	252	1,056	1,534	4,117
250%	0			838	838
TOTAL	**21,993**	**7,728**	**8,406**	**2,902**	**41,029**

4.2.4.1.3. Techniques for reducing credit risk

To guarantee repayment of its loans to non-sovereign counterparties, AFD uses real securities (bank account pledges, receivables pledges, Daily assignments for its activities in French Overseas Departments and Collectivities, etc.) and personal sureties (joint sureties, first-demand guarantees, etc.). It also enters into payment mechanism agreements which give AFD priority access to the cash flow generated by the borrower's activity.

Specialist operations lawyers help AFD to structure its financing and, for counterparties based in a foreign country, they consult local lawyers on the legitimacy of the loan agreement and related agreements before the first payment is made.

Bank account pledges are subject to periodic valuation taken into account in provisioning.

Moreover, AFD records exposure guaranteed by the French State on its balance sheet and off-balance sheet.

In calculating its capital adequacy ratio, AFD recorded its exposure covered by eligible personal guarantees, which breaks down as follows:

- €3,483M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €417M of off-balance sheet exposure consisting mainly of undisbursed amounts guaranteed by the French State and foreign governments.

Balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

In millions of euros	Net unweighted exposure covered by a guarantee	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
Governments and central banks	682	462	-462	0
Corporates	1,532	1,628	-667	962
Institutions	278	278	-72	206
Public sector entities	0	0	0	0
Local and regional governments	990	990	-44	947
TOTAL	**3,483**	**3,360**	**-1,245**	**2,115**

Off-balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

	Net unweighted exposure covered by a guarantee	Net unweighted exposure covered by a guarantee			
In millions of euros	Before conversion factor	After conversion factor	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure After mitigating techniques
Governments and central banks	95	47	37	-37	0
Corporates	303	180	180	-27	153
Institutions	19	10	10	-5	5
Local and regional governments	0	0	0	0	0
GRAND TOTAL	**417**	**237**	**226**	**-69**	**158**

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 type, rating, capital 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 for market risk. The Group's overall net foreign-currency position subject to capital requirements at 31 December 2019 is €58M, primarily in dollars.

4.2.4.3 Operational risk

Operational risk management within AFD Group (identifying and evaluating risks, rating risk management data, reporting, procedure for declaring operational incidents) is described in detail in Paragraph 4.3.1 "Internal control and risk monitoring".

The measurement and management of operational risk is incorporated in the permanent control system.

Operational risk assessment

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

Capital requirements for operational risk

AFD's average net banking income (NBI) for the last three financial years is €756M. The capital requirement for operational risk is €113M (15% of average NBI).

In thousands of euros	2019	2018
GDP - Smoothed 3-year average	756,286	723,136
Capital requirement ratio	15%	15%
Capital requirement	113,443	108,470

4.2.4.4 Risk on equities and other financial instruments

The methods for valuing and recording equity investments held by the Group are presented in Paragraph 6.2.3.2 of the financial statements and in the following notes thereto: Note 1 (Financial assets and liabilities at fair value through profit and loss) and Note 3 (Financial assets at fair value through equity) (Paragraph 6.2.4.1). The accounting standards for equity-accounted equity investments are outlined in Paragraph 6.2.3.1.2 "Accounting principles and methods".

The summary table of equity investment exposure is provided in Paragraph 4.2.4.1.1.2.

The amount of capital gains (losses) realised on disposals and liquidations during the period under review is presented in Notes 13 and 14 to the consolidated financial statements (Paragraph 6.2.4.2).

Realised gains and losses are recorded as gains or losses on assets at fair value through P&L (Note 13) or at fair value through equity (Note 14).

Capital requirements for this category of risk equalled €232M based on a risk-weighted amount of €2,902M.

4.2.4.5 Interest rate risk in the banking portfolio

The Paragraph 6.2.5.3 on "Interest rate risk" describes this type of risk in detail.

4.2.4.6 Information on encumbered and unencumbered assets

An asset is considered to be "encumbered", or may be used contractually for the purpose of guaranteeing, acting as collateral for or enhancing a transaction from which it is inseparable. On the other hand, an "unencumbered" asset is one free of any restrictions of a legal, regulatory, contractual or any other nature, and free from the possibility of being liquidated, sold, transferred or assigned.

AFD does not record any assets as encumbered apart from securities sold under repurchase agreements to the Banque de France for a nominal amount of €64.5M.

4.3 Risk management

4.3.1 Internal control and risk monitoring

AFD's internal control system is intended to provide Senior Management with reasonable assurance of the implementation of the following three objectives: (i) implementation and optimisation of transactions, (ii) reliability of financial information, and (iii) compliance with laws and regulations.

It includes the four targets set in the Decree of 3 November 2014, namely, (i) the quality and reliability of accounting and financial information, (ii) the compliance of transactions, organisation, and internal procedures with legal and regulatory provisions, (iii) the quality of information systems, and (iv) compliance with decisions made by Senior Management.

At AFD, the internal control process is overseen by the Operational Risk and Permanent Control Department (ROC) - which sits within the Group's Executive Risk Department - and by the General Inspection Department (IGE) - reporting to Senior Management - for periodic controls.

4.3.1.1 Permanent control system

The AFD Group's permanent control process is supported by (i) the Permanent Control function – which sits within the ROC department - responsible for leading and overseeing the AFD Group's permanent control system, safeguarding its standardisation and effectiveness, (ii) Group managers, responsible for risk management at the level of their structure and who, in this respect, are the key contacts of the Permanent Control Function and (iii) any Group employees at the registered offices and in the international network, who come to identify and assess risks, conduct first and second level controls, report incidents and/or process them.

AFD's permanent control is exhaustive in scope, because its aim is to ensure that all risks generated by the Group's activities, whatever they may be, are indeed subject to an appropriate control system. Lastly, with regard to the specific disbursements control system, the role of the Disbursement Control Division of the ROC department is to carry out second-level checks following disbursements for AFD's financing projects. It is a specialist 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.

4.3.1.2 Compliance and anti-money laundering/ combating the financing of terrorism system (AML/CFT)

The Compliance function performed by the Compliance Department (DCO) on behalf of AFD Group, which is independent of operational staff, is tasked with monitoring compliance in all sectors, operations, geographic areas and regulatory contexts of AFD Group. Its ultimate aim is to ensure that non-compliance risks and risks to the Group's reputation are monitored and managed.

The Compliance function's field of expertise enables it to (i) decide on AFD Group's financial security policy, (ii) ensure that the financial institution follows the provisions on combating money laundering and terrorist financing, those on the prevention of corruption and on conducting banking and financial activities, and those ensuring the protection of clients' personal data.

4.3.1.3 Periodic control system

Given the rules governing the independence of the services that it provides, the General Inspection department (IGE) reports to AFD's Chief Executive Officer. It is in charge of the periodic control of transaction compliance, the actual risk level incurred, the respect of procedures, and the efficiency and suitability of the permanent control systems set up by AFD. It serves AFD's internal audit function and has jurisdiction over all of the company's activities, including outsourced activities.

The Group's risk mitigation is governed through two main bodies:

1) the Board of Directors, via the Group Risk Committee and the Audit Committee, and
2) the Internal Control Committee.

- The Internal Control Committee

  The Internal Control Committee is the body through which the heads of Periodic Control, Permanent Control and Compliance of the Group report on the fulfilment of their roles to the executive officers, as stipulated in Article 10 of the Decree of 3 November 2014.

- The Group Risk Committee

  Reporting to the Board of Directors, the Group Risk Committee, created in 2015 to meet the requirements of the Decree of 3 November 2014, is tasked with (i) carrying out a regular review of strategies, policies, procedures, systems, tools, and limits, and the underlying assumptions, (ii) appraising all of the significant risks, risk management policies, and changes made to them, (iii) appraising the measures taken to ensure business continuity, (iv) advising the Board of Directors on the AFD Group's overall strategy and risk appetite.

- The Audit Committee

  Reporting to the Board of Directors, the Group Audit Committee is provided for in the bylaws. Since the Group's Risk Committee was set up, it has been in charge of (i) checking the clarity of the information provided and assessing the relevance of accounting methods, (ii) assessing the quality of internal control from an accounting and financial perspective, (iii) overseeing the choice of statutory auditors;

COMPOSITION OF THE GROUP AUDIT COMMITTEE AND RISK COMMITTEE AS AT 31/12/2019

NAME	FIRST NAME	Organisation	Date of resolution	Term ends	Position
Chairman of the Group Audit Committee and Risk Committee					
Mattei	Jean-Louis	Qualified person	18/05/2017	17/05/2020	Chairman, Alternate Director of the AFD Board of Directors
Members of the Group Audit Committee					
Rousseau	Cyril	Directorate General of the Treasury, MINEFI	21/12/2017	20/12/2020	Member of the Audit Committee, Director, alternate member of the AFD Board of Directors
Plais	Philippe	Budget Department, MINEFI	12/07/2018	20/12/2020	Member of the Audit Committee, Director, alternate member of the AFD Board of Directors
Picard	Stéphanie	AFD employee	20/12/2018	19/12/2021	Personnel representative, Director on the AFD Board of Directors, alternate member
Members of the Group Risk Committee					
Rousseau	Cyril	Directorate General of the Treasury, MINEFI	21/12/2017	20/12/2020	Permanent member of the Risk Committee, Director, alternate member of the AFD Board of Directors
Plais	Philippe	Budget Department, MINEFI	12/07/2018	20/12/2020	Permanent member of the Risk Committee, Director, alternate member of the AFD Board of Directors
Picard	Stéphanie	AFD employee	20/12/2018	19/12/2021	Personnel representative, Director on the AFD Board of Directors
Tubiana	Nathalie	Caisse des dépôts	15/12/2018	17/02/2020	Permanent member of the AFD Board Permanent member of the Risk Committee, Permanent Member of the AFD Board

4.3.1.4 Risk monitoring

Risk monitoring is ensured by the Group Risk Management Department (DRG) of the Executive Risk Department (DXR): by the Counterparty Risks division (DRC) at the individual level of credit risks and the Risk Monitoring Division (DSR) at a consolidated level, both for credit risks and market transactions. This supervision is not exclusive to this department: among other procedures, a six-monthly review of non-sovereign counterparties is conducted by local departments, credit transactions are referred for a second opinion (DXR/SOP) and the Finance Department provides strategic and financial guidance (DEF/PFG).

4.3.1.5 Methods of informing executive officers

The executive officers are informed through different channels which are essentially committees and executive officer memos.

The Internal Control Committee (Cocint) comprises members of the AFD Executive Committee (including the Chief Executive Officer of Proparco), the head of the Group Risk Management Department (DRG), the head of the General Inspection Department, the head of the Compliance Department, and the head of the Operational Risk and Permanent Control Department. It makes sure that systems are in place to monitor the activities and risks, as required by the Decree of 3 November 2014, to ensure the AFD Group's internal control system operates effectively. It mobilises management to put these systems in place. It is through this body that the heads of Periodic Control (the General Inspection department – IGE) and of Permanent Control and Compliance of AFD Group report on the fulfilment of their roles. The committee is also regularly informed of incidents and risks updated in the operations risk mapping.

The Risk Committee (Coris) is responsible for risks within the scope of the AFD Group, with a particular focus on macro-economic risks in the countries in which it operates ("country risk") and credit risks ("counterparty risk"). It is chaired by AFD's executive head of risk (DXR) and is attended by Senior Management.

In its "Compliance" configuration, **the New Products and New Activities Committee** (Coconap) examines (i) any changes to French or local laws or regulations which affect the AFD Group, (ii) any significant compliance events in the respective areas of activity, (iii) the list of operational non-compliance incidents, (iv) the updated compliance, fraud and corruption risk mapping and (v) the progress of corrective measures. It is chaired by the AFD's executive head of risk (DXR).

The role of the **Accounting, Finance and Management Control Committee** (Cofico) is to examine and monitor AFD's financial, accounting and management control activities. It is chaired by the Deputy Chief Executive Officer or the Chief Financial Officer.

The role of **the Partnership Committee** (Copar) is to centralise and collate all the Group data on its partnerships with French development operators (French regional collectivities, NGOs, companies, foundations), inter-state organisations, international foundations and NGOs, bilateral or multilateral donors and stakeholders in the developing countries, and to investigate the merits of entering a new partnership or renewing an existing one. It is chaired by the Associate Chief Executive Officer or the Executive Director for Strategy, Partnerships and Communication (SPC).

The role of **the Credit Committee** (CCR) is:

- to verify all the due diligence carried out at the time of project appraisal;
- to examine the financing proposals prior to their submission to the AFD decision-making bodies;
- to validate the terms of the resolution proposals or decision to grant funds;
- to review the advisability of decentralisation of project management within the international network;
- to log any reservations expressed by the Compliance Department (DOC), the Second Opinion Unit or any other member of the committee;
- to record the sustainable development appraisal and the final opinion of the Second Opinion Unit and log any follow- up rights issued.

The chair of the CCR will be appointed according to the value of the applications submitted, with provision for three levels of delegation (director of the regional department or Operational Steering Committee for cross-cutting projects that are not geographically assignable, director of the executive operations department (DOE) or Senior Management).

Information is also passed on to executive officers via memos which formally record, for example, the verdicts of the Second Opinions Unit or compliance opinions, legal warnings or notification of thresholds being exceeded.

4.3.2 Internal control procedures and organisation of audit trail for accounting and financial information (Article L.225-100-1-5)

The AFD Group's accounting is handled by the Regulatory Accounting Consolidation Department of the AFD Finance Department (DEF).

The activities of this department include:

- the accounting registration of transactions initiated at the Head Office on the accounts payable, fixed assets, investments and services functions;
- auditing of local office and regional department accounts;
- the control of the centralisation in the general accounting of ancillary accounts and the implementation of accounting controls on all sectors;
- tax returns with the exception of those relating to wages and the building;
- the preparation of individual company financial statements using French standards;
- SURFI, Balance of Payments, FINREP and COREP regulatory reporting;
- and, for the subsidiaries, Sogefom, Proparco and Soderag: bookkeeping using French standards, the production of the half-year financial statements (quarterly in the case of Proparco) and of fiscal and regulatory declarations (SURFI – Balance of payments).

The Department is also in charge of preparing consolidated quarterly financial statements under IFRS.

The accounting recognition of loans, grants and guarantees granted is carried out by the Accounting Controls Support Division of the Funding Financial Management department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The accounting recognition of market transactions (borrowings, derivatives and short-term investments) is carried out by the Post-Market Division of the Treasury and Financial Markets Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The separation between the engagement, accounting and execution functions for treasury operations is maintained by both the organisation of services and the implementation of procedures.

Accounting entry is largely decentralised (international offices, other Head Office services).

Accounting control is split between banking operations and general expenses.

The Group's accounting is audited by two statutory auditing firms appointed by the Board of Directors. Their terms of office were renewed by the Board of Directors on 30 April 2014 for six fiscal years (2014-2019).

The Regulatory Accounting Consolidation Department is in contact with the external auditors (statutory auditors, tax authorities, French Prudential Supervisory and Resolution Authority).

An accounting procedures manual that includes procedures and accounting schematics for all transactions is available on the intranet site. It includes a procedure for accounting controls. With regard specifically to the audit trail, its functioning is described below.

The accounting system is structured around a multi-company (AFD-Proparco-Sogefom) and multi-currency accounting software package powered by business applications and auxiliary accounting systems.

The conversion of foreign currency transactions is performed by a specific module of the accounting software package, which publishes control reports at each step of the conversion and calculation of translation adjustments. A procedure describes the controls to be performed at each stage of the conversion treatment for the exchange positions until the determination of translation adjustments.

An "Infocentre" application makes it possible to retrieve the accounting information for balances and accounting movements for each transaction or at the desired aggregated level.

In accordance with Article 85 of the Decree of 3 November 2014, the audit trail allows the unitary event to be traced back to the accounting aggregate or, conversely, from the accounting aggregate to the corresponding unit events. In the case of a grouping of accounting movements within an upstream interface, the audit trail also makes it possible to retrieve the unit events that make up those grouping movements.

In addition, all IT applications owned by the Regulatory Accounting Consolidation Department have IT security classification in terms of (i) **availability** (availability required in the event of an extreme shock and current service availability), (ii) **integrity** (capacity to prevent unauthorised modification of the information), (iii) **confidentiality** (ownership of information that should not be available or disclosed to unauthorised individuals, entities or processes) and (iv) **proof** (ability to identify the individual, entity or automated process from whom or which access to information originated).

4.3.3 Credit risk

4.3.3.1 Credit risk measurement and monitoring

The system in place to measure and monitor credit risk is described in Paragraph 6.2.5 "Risk Information".

4.3.3.2 System of operational limits

The system of operational limits is described in Paragraph 6.2.5.1.

4.3.3.3 Management of major counterparty risk

Monitoring the risks of sovereign counterparties is described in Paragraph 6.2.5.1.

4.3.3.4 Monitoring the risks of non-sovereign counterparties

The monitoring of the risks of non-sovereign counterparties is described in Paragraph 6.2.5.1.

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

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 2018, this body carried out the annual review of the system.

4.3.4.1 Liquidity risk

Liquidity risk is described in Paragraph 6.2.5.2.

4.3.4.2 Interest rate risk

Interest rate risk is described in Paragraph 6.2.5.3.

4.3.4.3 Foreign-exchange risk

Foreign-exchange risk is described in Paragraph 6.2.5.4.

4.3.4.4 Market risk

Market risk is described in Paragraph 6.2.5.4.

4.3.5 Major risk ratio

At 31 December 2019, the AFD Group was in compliance with the major individual risk ratio set out by banking regulations, i.e. a maximum of 25% of risk-based consolidated capital.

4.3.6 Other operational risks

4.3.6.1 Risk related to the settlement process

AFD has established a number of measures to tighten up the organisation and control of settlements:

- procedures which describe and formalise the processing of settlements;
- pre- and post-settlement checks;
- training and awareness-raising initiatives, primarily on the risks of fraud, for staff involved in settlement processing and checks.

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

4.3.6.2 Legal risks

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

The Legal department provides legal support:

- in financing, guarantee and equity investment operations at all stages of the project cycle, including restructuring projects and disputes;
- in cross-disciplinary matters (Group risk prevention, international government agreements, relationships with other sponsors, guarantee funds, partnerships, relationships with subsidiaries and companies in which AFD holds shares, and legal knowledge creation);
- in market transactions;
- in institutional matters (bylaws, governance, relationships with the government and supervisory bodies, legislative and regulatory development, agreements for various services);
- regarding banking and finance regulations;
- in criminal matters, on all subjects where AFD Group or its directors may be held liable;
- by providing consulting services for all AFD entities.

To AFD's knowledge, there are no governmental, legal or arbitration proceedings, whether suspended or pending, that could have or have had a material effect on the financial situation or the profitability of AFD and/or AFD Group over the last 12 months.

4.3.6.3 Non-compliance risks

According to regulations, the Compliance Department (DCO) is responsible for the prevention, detection, monitoring and management of non-compliance risk throughout AFD Group.

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

The DCO ensures the Group complies with (i) internal and external provisions related to preventing money laundering and terrorist financing (AML/CFT), (ii) provisions related to the fight against corruption and associated offences as well as fraud and anti-competitive practices, (iii) provisions to do with abiding by national and international trade and financial sanctions, provisions that govern the performance of banking and financing activities or (v) provisions that ensure the protection of the personal data and private lives of clients.

The department is 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 its Compliance configuration), as well as the Regulatory Risk Committee.

The Compliance function covers all sectors, operations, geographic areas and regulatory contexts of AFD Group. In addition to operational projects and activities, it also concerns the Group's new activities and products, in accordance with regulations.

Its ultimate aim is to ensure that non-compliance risks are appropriately evaluated in the interest of preventing and limiting the exposure of AFD Group and its management to legal and/or administrative action and to reputational risks, by supervising them should these risks arise.

Non-compliance risk monitoring is ongoing and backed by a risk map.

The following changes were made to the non-compliance risk mitigation system during 2019:

- further measures to prevent corruption and influence peddling introduced on the back of the so-called "Sapin II" Act of 9 December 2016 with the entry into force on 31 January 2019 of the whistle-blowing procedure for employees and directors of the AFD Group and external service providers working on its behalf, the overhaul of the set of procedures governing gifts and invitations to clarify the rules in place, particularly in terms of thresholds, and reporting and approval processes and starting work on mapping group suppliers to implement anti-corruption measures in respect of them using a risk-based approach;

- continuation of the project to overhaul measures to prevent and manage conflicts of interests within the group with the aim of streamlining the roles and responsibilities of each of the players involved in preventing and managing conflicts of interest and reviewing internal procedures.

Insurance – Coverage of risks run by AFD

AFD has a “Civil Liability” insurance policy that also covers Proparco, a “Directors and Officers civil liability” policy, a “labour relations” policy, a “first excess property damage” policy that also covers Proparco and VAL, an “all exhibition risks – works of art” policy, and a “Directors and Officers civil liability specific to supplementary pension scheme management (IGRS) risk policy[(1)]”.

All of the network’s agencies are covered by locally underwritten insurance policies (multi-risk residential and office, and civil liability for office activities).

These policies are accompanied by vehicle insurance covering head office (head office policy) and the network (local policies) plus “worldwide” “individual accident” insurance guaranteeing disbursement of share capital in case of death or disability caused by an accident with a vehicle belonging to or rented by AFD.

4.3.6.4 IT-related risks

Information systems security

The Security Department oversees all aspects of ICT risks, including IS security. The head of the department is also responsible for AFD Group’s IT system security (RSSI).

An analysis of ITC risks is carried out at least once a year under the IS risk governance system. Security risks are extracted from it and processed under the IT security management system (SMSI), in compliance with ISO 27001. The SMSI provides a framework for addressing AFD’s IT-related risks, from appraisal of the risks to implementing remedial measures and ongoing IT system security checks. After the annual risk analysis, AFD’s operational risk map and the triennial security project plan are updated. The steering bodies use this plan to determine the security upgrades for the IT system.

The information system security policy (ISSP), which is compliant with ISO 27001 and ISO 27002, defines the 90 security rules needed to protect AFD’s information systems. The application of each rule is stipulated by a set of internal security standards and procedures, in compliance with good practices in the field.

This ISSP is accompanied by an IT user charter which has been enforceable for all users since it was included in the rules and regulations.

Measures to raise awareness of ISS, in the form of regular talks and digital training, ensure that all Group users are familiar with the main rules for use.

Under the ISSP, all information systems and business line applications are classified according to four security criteria, namely availability, integrity, confidentiality and proof. These criteria allow for protection measures to come into effect in line with security requirements during the design and active use stages of a given system. The most sensitive information systems regularly undergo a security approval certification procedure.

The management of security incidents is overseen by a specific directive that sets management rules for a security incident. This makes it possible to coordinate (i) the procedure for managing IT incidents (to ITIL standards), (ii) the “user” incident alert system run by the IT Support Department, and (iii) the Security Department (SEC). The Security Department coordinates all immediate responses to security incidents. The RSSI may request the activation of a crisis unit if the nature of the incident so requires.

In 2019, AFD did not suffer any cyberattack crises.

Emergency and business continuation plan

The AFD Group has a Business Continuity Plan (BCP) intended to cover all of the AFD Group’s business lines and activities, including its Proparco and Sogefom subsidiaries. This plan is intended to ensure the continuation of the Group’s business in the aftermath of a disaster of low likelihood but with critical impact.

The plan is formalised in three framework documents applicable to the entire group: the business continuity policy, the crisis management plan and the business continuity plan. These documents are supplemented by procedures for each essential activity.

The business continuation policy was updated in 2017 to include a new class of activity recovery (level 5 availability) providing the means to characterise activities that do not support service interruptions.

Continuity procedures are grouped into “BCP kits” provided for each structure operating one of the vital functions. These procedures describe the actions required for implementing the plan, as well as the manual operating modes to be used in case of any long-term unavailability of business premises or IT tools.

AFD also has a “pandemic” plan which describes the principles and ways of maintaining business activity in the event of a global or local pandemic.

The Information and Telecommunications Recovery Plan (PRIT), which covers the risk of an extended IT system outage, includes an IT infrastructure that reactivates the AFD Group’s applications and essential systems. The PRIT system covers all of the business lines’ IT continuity requirements by duplicating 70% of the Group’s Information System and 100% of production data. This includes all systems essential to users’ “core business” activity for the first month of loss. The remaining 30%, corresponding to non-essential systems, are re-established within three months. Improvements to the PRIT engaged in 2018 cut the time needed to activate the emergency platform by 70%. The upgrading of the technical platform which began in 2019 but is ongoing in 2020.

A Flood Risk Prevention Plan (PPRI), intended to cover the risk of the Seine bursting its banks and mitigate the impact of such

(1) This insurance contract has been transferred to and is managed by the HR Department.

a contingency on AFD's two main head office buildings, has also been introduced.

The Security Department (SEC) of the General Secretary has full responsibility for updating and controlling the BCP, the director of which is responsible for the Group's business continuity management plan (BCMP). The SEC Director is responsible for crisis management and coordinates and synchronises the resumption of business once the BCP is triggered.

The sixteen entities making up AFD, Sogefom and Proparco, whose activities are deemed essential and are covered by the BCP, are asked at least annually to revise their business impact assessments (BIAs) and update their degraded procedures. Each person in charge of entities registered in the BCP is responsible for applying the procedures of his or her BCP Kit once the plan has been triggered. In October 2019 annual updates were finalised and the BCP kits published.

A permanent standby mechanism at the level of the General Secretariat and Executive Committee (EXCOM) is in place to enable AFD to respond rapidly to a major disaster. The mechanism provides for a crisis unit led by an EXCOM member to be activated when in need. In case of a major disaster, the crisis unit decides whether to activate the BCP. The mechanism also covers Proparco and Sogefom.

BCP activation tests were conducted in early 2019. The crisis management plan was tested in February 2019 with the participation of the COMEX.

No actual disasters leading to the activation of the emergency and business continuation plan occurred in 2019. An audit of the plan by the General Inspection Department (IGE) of AFD was begun in late 2016 and completed in February 2017.

4.3.6.5 Tax risk

AFD did not undergo any tax audits in 2019.

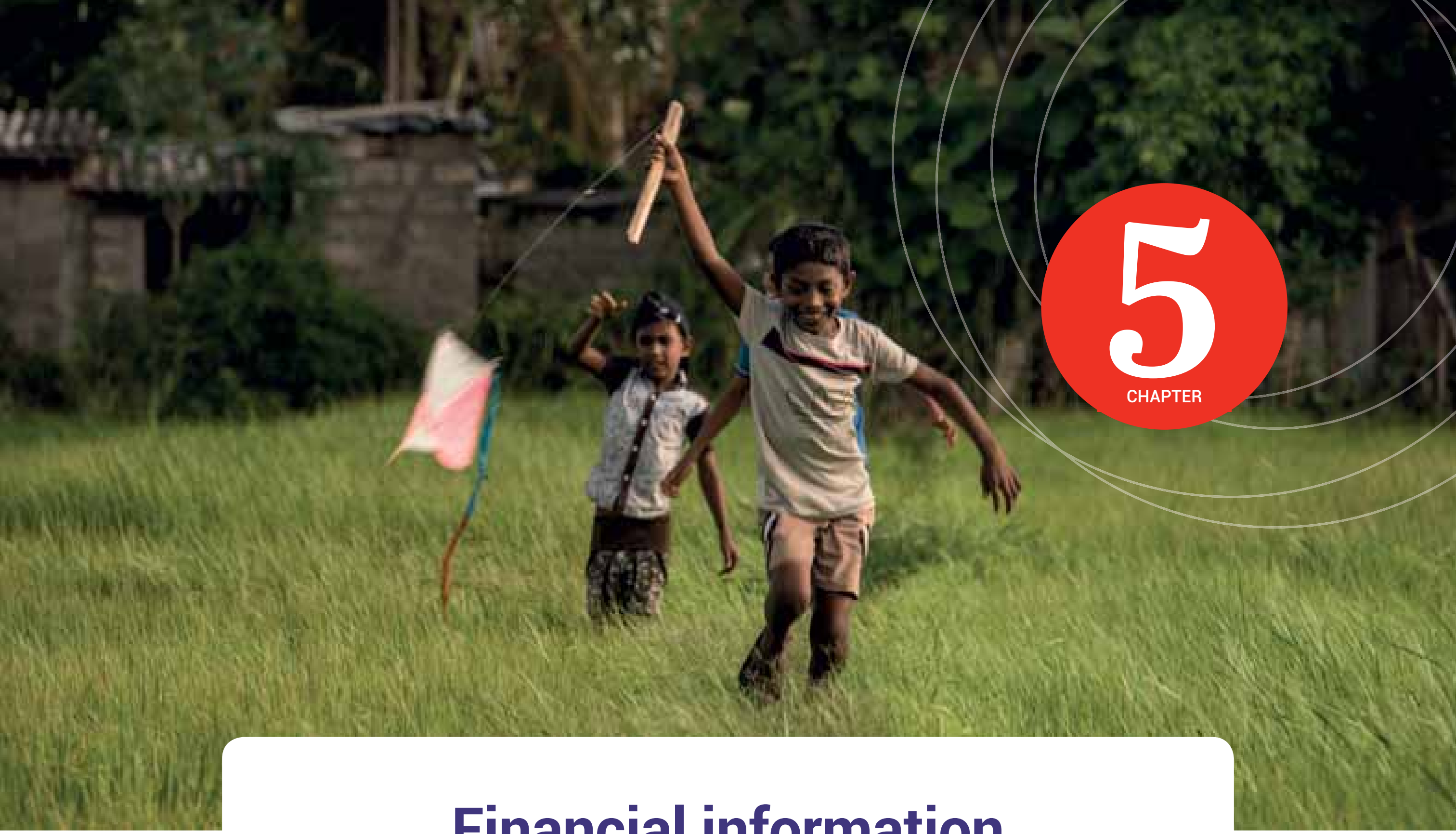
4.3.6.6 Other operational risks

In addition to the risks detailed above, the Group's permanent control system seeks to cover all risks within the remit of Basel categories 1 to 7 to which the Group is exposed (risks relating to (i) internal and (ii) external fraud, (iii) human resources; concerning (iv) the Group's financing activity, (v) personal safety, (vi) information systems and (vii) management, processes and procedures).

This system for monitoring and mitigating all operational risks is based on:

- operational risk mapping, which is the main tool used to measure and monitor these risks;
- recording of operational incidents, enabling the implementation of corrective actions and new controls aimed at (i) preventing any repeated dysfunction or limiting their impact and (ii) improving operational risk mapping;
- first and second level controls.

Permanent control provides regular reports to the Group's Risk Committee and Internal Control Committee (COCINT).



Financial information

5.1 Recent changes and future prospects

5.1.1 Recent changes

ACTIVITIES

AFD Group's global activity reached €14.12bn in commitment approvals in 2019, an increase of €2.68bn on the 2018 figure and in line with the Group's trajectory and the objective set by the French President to achieve a French Official Development Assistance (ODA) trajectory of 0.55% of GNI.

GOVERNANCE

AFD's governance system has not changed.

5.1.2 Future prospects

The year 2020 will mark a stabilisation of the level of AFD Group's commitments at in a context where emerging and developing countries will be impacted in 2020 by the COVID-19 crisis. AFD Group will proceed with a paradigm shift in its management mode with a gradual transition from activity management through commitments approvals to activity management through signatures and disbursements, these being the conditions that impact the Group's actions. AFD Group has set itself the target of achieving a net increase in signatures in 2020, displaying growth in the Group's commitments over the past three years. For 2020, the disbursement target for AFD Group totalled 8.5 bn. This target stems from the growth in the Group's commitments over the past few years and the volume of signatures achieved in 2019.

In line with its objective of being 100% Paris agreement, in the first half of 2020 AFD Group will help build a robust stance on the Climate/Biodiversity nexus with a view to the COP 15 in Kunming. In 2020, it will complete work to specify the 100% social link objective and contribute significantly to the Equality Generation Forum of June 2020. PROPARCO will continue its strategic alignment on these two objectives of the Paris Agreement and Social Link. Finally, the multisectoral strategic dialogue will be extended to new countries to support the ownership of these objectives by our partners.

AFD Group will use its business plan to structure the development of its actions, working tools and corporate culture by the year 2022. It will continue to deconcentrate to bring teams closer to customers and partners. It will be structured as a Group with the future integration of Expertise France, and the strengthening and pooling of sectors at Group level. This transformation will also overhaul staff regulations and strengthen managerial culture.

The robustness of AFD Group's economic model will be reinforced with the consolidation of the Group's equity in order to cope with the increase in exposures, constant management of general expenses and strengthening of the management control function, optimisation of the Group's hedging policy against the main financial risks it faces, plus increased control over income generation factors and cost centres. The Finance and Risk functions will continue to adapt their processes and tools to the Group's new size, starting with the finance/risk information system, the master plan for which will be implemented in 2020.

Finally, the year 2020 will, more than ever before, be placed under AFD Group's seal of exemplarity. The group will strengthen its backbone of accountability for sustainable development analysis and opinion on project evaluation, including the mitigation of environmental and social risks and the monitoring of project execution. The Group will also aim to reduce its internal carbon footprint, particularly when it comes to the business travel of employees. Finally, the Group will pursue its communication policy towards the French population, designed to highlight the impact of its action and to educate younger people in the area of SDGs.

Africa confirmed as a priority for 2020:

- The year 2020 will be a year marked by numerous events focused on Africa and calling for a telling contribution from AFD, in particular the Africa-France Summit, sustainable cities and territories, and also on the Africa 2020 season for innovations from the continent and diasporas from June to December. These events embrace the Ouagadougou message on the revamping of the partnership between Africa and France. They will promote a change in the way we look at the continent and promote a Franco-African partnership approach.

  At the operational level, AFD will continue its efforts in 2020 to accelerate implementation on the ground using a 3D approach, particularly in crisis areas. Lastly, AFD will carry out its role as counter-cyclical backer to support the African economies affected by the COVID-19 crisis in 2020. Thematically, the commitment strategy will continue to be based on the priorities already set in 2019 and focus in particular on Human Services, biodiversity preservation, and the fight against climate change.

5.1.3 Borrowings

On 30 January 2020, AFD's Board of Directors authorised AFD to borrow a nominal maximum amount of €9bn for its operations on its own behalf in 2020, in the form of bank loans or bonds. This ceiling includes a maximum loan of €0.424bn from the French Treasury.

5.1.4 Information about trends

There has been no significant deterioration in the outlook for the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2019.

5.1.5 Significant change in the issuer's financial position

There has been no significant change in the outlook for the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2019.

5.2 Post-closing events

The spread of the Coronavirus pandemic (COVID-19) has led AFD to adopt safety measures in France and in our offices to comply with the recommendations of the World Health Organization and health authorities. This health crisis has no impact on AFD's consolidated financial statements at 31 December 2019.

No other significant events took place after 31 December 2019.

5.3 Economic presentation of the consolidated financial statements

The analysis below aims to provide an economic overview of the AFD Group's development, by type of activity, based on the consolidated accounting data.

A detailed description of the changes in the financial statements is provided in the notes to the consolidated financial statements.

The parent company financial statements are presented in notes 9.6 and 9.7.

5.3.1 Consolidated balance sheet (in millions of euros)

Assets

In millions of euros	2019	2018	2017
Loans (net outstanding)	35,394	32,798	30,430
• Gross outstandings	36,062	33,402	31,147
• Fair value adjustment	-6	-46	
• Individual impairments	-554	-475	-460
• Collective impairments	-201	-188	-366
• Accrued interest	93	106	109
Collateral	707	387	499
Financial hedging derivatives	2,704	2,026	1,828
Accruals and other assets	203	86	123
Companies accounted for by the equity method	147	150	146
Other equity investments	1,843	1,497	1,284
Investment portfolio	713	764	778
Short-term cash assets	5,540	4,926	4,403
Fixed assets	305	234	226
TOTAL ASSETS	**47,555**	**42,868**	**39,717**

Liabilities

In millions of euros	2019	2018	2017
Market borrowings	34,480	31,244	28,892
Treasury loan	1,288	1,048	720
Current accounts	12	15	21
Collateral	1,181	957	886
Financial hedging derivatives	1,846	1,279	1,323
Managed funds	468	467	333
Accruals and other liabilities	818	660	600
Provisions	1,152	1,002	849
Equity Group share	6,106	5,980	5,799
of which Group income	172	115	313
Minority interests	204	217	295
TOTAL LIABILITIES	**47,555**	**42,868**	**39,717**

ASSETS

The change in total balance sheet assets is mainly due to the increased net outstanding loans (+8%), equity investments (+21%), the derivatives portfolio (+33%) and level of cash (+12%) of AFD Group.

Net loans outstanding of AFD Group totalled €35,394M at 31 December 2019, i.e. 74% of the consolidated balance sheet, an increase of €2,596M (+8%) compared with the previous year.

Gross outstanding loans stood at €36,062M, up €2,660M or (+8%) compared with 2018.

The change in gross consolidated outstanding loans was mainly due to:

- the increase in loans at the Group's risk in the foreign country zone (+€2,131M);
- an increase in outstanding loans in the French Overseas Departments and Collectivities (+€104M);
- the increase in loans with risks borne by the French State (+€407M).

At 31 December 2019, the adjustment to fair value of the loan portfolio for which the contractual flows do not meet SPPI characteristics under IFRS 9 amounted to (-€6M).

	2019		2018	
In millions of euros	Audit	%	Audit	%
- Loans at AFD Group's risk	**34,999**	**97%**	**32,746**	**98%**
Of which Foreign countries	*29,317*	*81%*	*27,187*	*81%*
Sovereign	*17,251*	*48%*	*16,254*	*49%*
Non-sovereign	*12,067*	*33%*	*10,932*	*33%*
Of which French Overseas Collectivities	5,563	15%	5,459	16%
Of which other outstanding loans	118	0%	101	0%
- Loans at the State's risk	**1,063**	**3%**	**656**	**2%**
Loans guaranteed by the State	*1,056*	*3%*	*630*	*2%*
Loans granted by the State	*7*	*0%*	*25*	*0%*
GROSS CONSOLIDATED OUTSTANDING LOANS	**36,062**		**33,402**	

Outstanding loans at the Group's risk (€34,999M, of which €29,317M for foreign countries and €5,563M for French Overseas Departments and Collectivities) resulted in impairments totalling €1,560M on non-sovereign and French Overseas Departments and Collectivities loans, or a coverage rate of 4.5%.

Performing sovereign loans were covered for the amount of €891M at 31 December 2019, mainly by the reserve account, which represents a coverage rate of 5.2%.

Summary of outstanding loans and impairments

In millions of euros	Outstandings	Impairments
Foreign countries		
Sovereign	17,251	891
of which doubtful	*107*	*87*
Non-sovereign	12,067	587
of which doubtful	*806*	*385*
French Overseas Departments and Collectivities		
Non-sovereign	5,563	82
of which doubtful	*303*	*82*
Other outstanding loans	118	
TOTAL	**34,999**	**1,560**
of which doubtful	*1,215*	*554*

The change in total balance sheet assets also reflects the change in cash (€5,540M), which rose sharply during the year (+€614M). This increase is mainly due to the level of cash at AFD, linked to bond maturities and expected disbursements at the beginning of the year.

Short-term cash assets	2019	2018	Change
AFD	5,346	4,798	548
Proparco	153	85	67
Fisea	22	21	0
Socredo	0	0	0
Soderag	5	5	0
Sogefom	15	15	0
Other subsidiaries	0	1	-1
GROUP TOTAL	**5,540**	**4,926**	**614**

Other assets amounted to €6,621M in 2019 versus €5,145M in 2018 and represented 14% of total assets. They include the following items:

- financial hedging derivatives of €2,704M (€2,026M in 2018);
- other equity investments for €1,843M (€1,497M in 2018);
- fixed assets, accruals and other assets of €508M (€320M in 2018);
- the investment portfolio of €713M (€764M in 2018);
- collateral of €707M (€387M in 2018);
- equity-accounted equity stakes of €147M (€146M in 2018).

LIABILITIES

AFD Group **borrowings** totalled €35,768M in 2019. They consist of the following items:

- outstanding **market borrowings** stood at €34,480M at 31 December 2019, an increase of €3,237M on 31 December 2018 as a result of 21 bonds issued since the beginning of 2019;
- outstanding **borrowings from the French Treasury** amounted to €1,288M versus €1,048M in 2018. This increase was mainly linked to the receipt of a resource with special conditions for a total of €240M.

Other liabilities amounted to €5,477M in 2019 (€4,380M in 2018). They include the following items:

- hedging derivatives of €1,846M (€1,279M in 2018);
- provisions of €1,152M (€1,002M in 2018);
- collateral of €1,181M (€957M in 2018);
- funds under management and advances from the State of €468M (€467M in 2018);
- current accounts and accruals and other liabilities of €830M (€676M in 2017). Other liabilities include €4M in trade payables. In accordance with Article L.441-6 of the French Commercial Code, the due dates of the trade payables at 31 December 2019 are shown below:

	31/12/2019					31/12/2018				
	Unmatured debt					Unmatured debt				
In millions of euros	0-30 days	61 days or more	61 days or more	Supplier debt	Total	0-30 days	61 days or more	61 days or more	Supplier debt	Total
trade payables	1.8	0.0	0.0	4.2	4.2	1.7	0.0	0.0	7.8	9.5

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

Net position	2019	2018	Change
AFD	5,831	5,745	85
Proparco	330	277	53
Socredo	109	106	3
Soderag	-122	-122	0
Other subsidiaries	-42	-26	-16
GROUP TOTAL	**6,106**	**5,980**	**126**

The **"regulatory" equity**[(1)] amounts to €7,466M at 31 December 2019 compared with €7,179M at the end of 2018. Tier 1 capital for 2019 stands at €6,178M (€6,170M in 2018); Tier 2 capital stands at €840M (€840M in 2018).

AFD **paid** the French government a dividend of €29M in 2019, compared with €43M in 2018 and €28M in 2017 (distribution rate unchanged at 20%).

Minority interests (share of equity) were reduced to €204M at 31 December 2019, compared with €217M at the end of 2018. This essentially related to the exercise of the minority put options, with the share held by AFD increasing form 65% in 2018 to 74% in 2019.

5.3.2 Consolidated income statement

In millions of euros	2019	2018	Change 2018/2019
Net banking income	**839**	**646**	**193.3**
Overheads	440	410	30.0
• Staff costs	295	261	34.2
• Taxes and other general expenses	145	149	-4.2
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	48	23	25.0
Total expenses on non-banking operations	**487**	**432**	**55.0**
Gross operating income	**352**	**214**	**138.3**
Cost of risk	**-150**	**-67**	**-82.6**
Collective provisions	-54	-29	-25.4
Individual impairments of non-sovereign loans	-89	-32	-57.4
Losses on principal of bad loans	-10	-9	-1.3
Other provisions	4	2	1.5
Operating income	**202**	**146**	**55.7**
Share of earnings from companies accounted for by the equity method	-2	5	-6.1
Net gains or losses on other assets	0	0	0.0
Pre-tax income	**200**	**151**	**49.6**
Corporate tax	-18	-13	-5.1
Net income	**182**	**138**	**44.5**
Minority interests	-10	-22	12.7
NET INCOME - GROUP SHARE	**172**	**115**	**57.2**

(1) Shareholders' equity is calculated in compliance with EU Directive 2013/36/EU and Regulation (EU) No 575/2013.

INTERMEDIATE BALANCES

Changes in the intermediate balances over the last two financial years are as follows:

NR	2019	2018	Change
Net banking income	**839**	**646**	**193**
Overheads on non-banking operations	487	432	55
Gross operating income	352	214	138
Cost of risk	-150	-67	-83
Operating income	**202**	**146**	**56**
Net income	**182**	**138**	**45**
Minority interests	-10	-22	13
NET INCOME - GROUP SHARE	**172**	**115**	**57**

AFD Group's income for 2019 was €172M (Group share), up €57M compared with 2018.

NET BANKING INCOME

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

Net banking income	2019	2018	Change
AFD	682	501	180
Proparco	168	150	18
Fisea	-13	-6	-7
Soderag	0	0	0
Sogefom	3	1	2
Propasia	0	0	0
GROUP TOTAL	**839**	**646**	**193**

NBI amounted to €839M in 2019, up €193M from 2018 due to the combined effect of the following items:

Net banking income	2019	2018	Change
Balance of loans/borrowings	615	557	58
Investment income	16	8	8
Net interest provisions	4	-6	10
Commissions	120	79	41
Income on instruments at fair value net of currency effects	55	-37	93
Other financial income and expenses	29	45	-16
GROUP TOTAL	**839**	**646**	**193**

The change in NBI is mainly due to the increase in income from financial instruments at fair value through profit or loss net of currency effects (+€93M), improvement in the balance of loans/borrowings (+€58M) and the increase in fees during the financial year (+€41M).

GROSS OPERATING INCOME

Gross operating income totalled €352M in 2019 versus €214M in 2018. This €138M increase is the combined result of the sharp rise in NBI (+€193M), which largely offset by the negative impact of the increase in general expenses (+€55M).

The increase in general expenses was planned in AFD's 2019 budget, which in turn was up 12% on the 2018 budget. In effect, the budget approved by the Board of Directors estimated operating expenses at €468M, with an estimated out- turn of €464M at year-end related to the implementation of the necessary human and material resources in the context of AFD's growth.

The increase in general expenses is therefore linked to the rise in staff costs, corresponding to the additional workforce and higher external expenses.

COST OF RISK

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €150M compared with €67M in 2018 and breaks down as follows:

Cost of risk	2019	2018	Change
AFD	-117	-62	-55
Proparco	-31	-6	-26
Sogefom	-1	1	-2
GROUP TOTAL	**-150**	**-67**	**-83**

The increase in cost of risk during the year is mainly due to the €25M increase in individual provisions for non-performing counterparties (stage 3), several of which became non-performing, on the one hand, and the €57M increase in collective provisions for performing and sensitive counterparties (stage 1 and stage 2), on the other.

OPERATING INCOME

The increase in gross operating income (+€138M) was partly offset by the negative impact of the increase in cost of risk. Operating income came to €202M, an increase of €56M compared with 2018.

PRE-TAX INCOME

The share of equity-accounted companies[1] (-€1.6M) was down compared with the previous year, mainly as a result of the decrease in SIC's income.

Pre-tax income was consequently €200M in 2019 (compared with €151M in 2018).

NET INCOME

Taking into account corporate tax (€18M) and the interests of minority shareholders in Proparco, Propasia and Sogefom (€9.7M), net income, Group share, totalled €172M.

(1) Corresponds to the share of earnings from the equity-accounted companies in the Group's consolidated financial statements.

6
CHAPTER

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

6.1 Overview

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

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

Listed on the Paris Trade and Companies Register under Number 775 655 599.

6.1.1 Balance sheet at 31 December 2019

Assets

In thousands of euros	Notes	31/12/2019	31/12/2018
Cash, due from central banks		1,259,133	1,399,405
Financial assets at fair value through profit and loss	1	2,738,146	2,413,386
Hedging Derivatives	2	2,558,977	1,824,239
Financial assets at fair value through equity	3	1,512,546	1,464,695
Debt securities at amortised cost	5	1,221,164	1,301,006
Financial assets at amortised cost		36,902,710	33,607,788
Loans and receivables due from credit institutions and equivalent at amortised cost	5	8,080,093	7,122,024
Demand		*2,164,099*	*1,908,646*
Term		*5,915,995*	*5,213,378*
Loans and receivables due from customers at amortised cost	5	28,822,617	26,485,764
Other loans to customers		*28,822,617*	*26,485,764*
Revaluation differences on interest rate-hedged portfolio		1,172	778
Current tax assets		31	1
Deferred tax assets		16,858	20,517
Accruals and other miscellaneous assets	6	892,637	452,408
Accruals		*-3,185*	*10,464*
Other assets		*895,822*	*441,945*
Equity stakes in companies accounted for by the equity method	18	146,753	150,105
Property, plant and equipment	7	268,618	195,038
Intangible assets	7	36,280	39,043
TOTAL ASSETS		**47,555,027**	**42,868,409**

Liabilities

In thousands of euros	Notes	31/12/2019	31/12/2018
Central banks		61	-
Financial liabilities at fair value through profit or loss	1	359,698	339,159
Hedging Derivatives	2	1,486,117	940,339
Financial liabilities at amortised cost		34,492,871	31,258,744
Debt securities in issue at amortised cost	8	34,481,774	31,245,275
Interbank market securities		*100,029*	*478,250*
Bonds		*34,381,745*	*30,767,025*
Debts to credit institutions and equivalent at amortised cost	8	*9,440*	*11,779*
Demand		*8,807*	*11,139*
Term		*634*	*640*
Debts to customers at amortised cost	8	*1,657*	*1,690*
of which demand		*1,657*	*1,690*
Current and deferred tax liabilities		11,156	7,099
Accruals and other miscellaneous liabilities	6	2,455,403	2,076,824
Allocated public funds		*87,363*	*69,530*
Other liabilities		*2,368,040*	*2,007,294*
Provisions	9	1,151,884	1,001,700
Subordinated debt	10	1,288,009	1,048,007
TOTAL DEBTS		**41,245,199**	**36,671,873**
Equity Group share	(Tab 1)	6,105,877	5,980,012
Provisions and related retained earnings		3,267,999	3,267,999
Consolidated retained earnings and other		2,638,563	2,540,341
Gains and losses directly recognised in equity		26,877	56,447
Earnings for the period		172,439	115,225
Minority interests	(Tab 1)	203,950	216,524
Total equity		**6,309,828**	**6,196,536**
TOTAL LIABILITIES		**47,555,027**	**42,868,409**

6.1.2 Income statement at 31 December 2019

In thousands of euros	Notes	31/12/2019	31/12/2018
Interest and related income	**11**	**1 658 638**	**1 487 386**
Transactions with credit institutions		332 881	312 507
Transactions with customers		763 613	693 455
Bonds and other fixed-income securities		27 369	23 863
Other interest and similar income		534 775	457 560
Interest and related expenses	**11**	**1 267 467**	**1 140 626**
Transactions with credit institutions		723 598	662 384
Transactions with customers		651	26
Bonds and other fixed-income securities		564 219	484 871
Other interest and similar expenses		- 21 002	- 6 655
Commissions (income)	**12**	**144 411**	**99 969**
Commissions (expenses)	**12**	**2 466**	**1 039**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	**13**	**55 150**	**- 37 397**
Net gains and losses on financial assets recognised at fair value through equity	**14**	**18 595**	**11 652**
Income from other activities	**15**	**238 157**	**234 948**
Expenses on other activities		**5 789**	**8 932**
Net banking income		**839 229**	**645 960**
Overheads	**16**	**439 716**	**409 740**
Staff costs		294 922	260 752
Other administrative expenses		144 794	148 988
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	**7**	**47 581**	**22 564**
Gross operating income		**351 932**	**213 656**
Cost of credit risk	**17**	**- 149 823**	**- 67 270**
Operating income		**202 109**	**146 387**
Share of earnings from companies accounted for by the equity method	**18**	**- 1 584**	**4 515**
Net gains or losses on other assets		**- 57**	**- 75**
Pre-tax income		**200 468**	**150 827**
Corporate tax	**19**	**- 18 350**	**- 13 227**
Net income		**182 118**	**137 600**
Minority interests		**9 679**	**22 374**
NET INCOME - GROUP SHARE		**172 439**	**115 225**

6.1.3 Net income and gains and losses recognised directly as equity at 31 December 2019

In thousands of euros	31/12/2019	31/12/2018
Net income	**182,118**	**137,600**
Net gains and losses directly recognised in equity to be recycled in profit or loss	**3,468**	**-21,330**
Net translation gains and losses		
Gains and losses on available-for-sale financial assets		
Gains or losses on debt securities recognised in equity to be recycled in profit or loss	3,468	-21,330
Net gains and losses directly recognised in equity not to be recycled in profit or loss	**-36,048**	**-16,677**
Actuarial gains and losses on retirement benefits	-29,720	2,020
Gains and losses on financial liabilities attributable to changes in own credit risk		
Net gains and losses on equity securities directly recognised in equity not to be recycled in profit or loss	-6,328	-18,697
TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	**-32,580**	**-38,007**
Net income and gains and losses directly recognised in equity	**149,538**	**99,593**
of which Group share	142,868	80,593
of which minority interests	6,670	19,000

6.1.4 Statement of changes in shareholders' equity from 1 January 2018 to 31 December 2019

in thousands of euros	Provisions	Funding reserves	Consolidated reserves	Income for the financial year	Unrealised or deferred gains or losses	Equity – Group share	Equity – Minority interests	Total consolidated equity
SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2018 (IFRS STANDARDS)	**2,807,999**	**460,000**	**2,258,117**	**312,805**	**91,079**	**5,930,000**	**296,477**	**6,226,477**
Share of 2017 earnings retained in reserves			269,884	-269,884		-00		-00
Dividends paid				-42,921		-42,921	-5,902	-48,823
Other changes			12,340			12,340	584	12,924
Changes related to put options						-00	-93,635	-93,635
2018 income				115,225		115,225	22,374	137,600
Gains or losses directly recorded in equity for 2018					-34,632	-34632	-3,374	-38,007
SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2018 (IFRS STANDARDS)	**2,807,999**	**460,000**	**2,540,341**	**115,225**	**56,447**	**5,980,012**	**216,524**	**6,196,536**
Quote part du résultat 2018 affectée dans les réserves			86,146	-86,146		-00	-00	-00
Dividends paid				-29,079		-29,079	-2,439	-31,519
Other changes			-1,286			-1,286	-685	-1,971
Changes related to put options			13,362			13,362	-16,119	-2,757
2019 income				172,439		172,439	9,679	182,118
Gains or losses directly recorded in equity for 2019					-29,571	-29,571	-3,010	-32,580
SHAREHOLDERS' EQUITY AS AT 30 DECEMBER 2019 (IFRS STANDARDS)	**2,807,999**	**460,000**	**2,638,564**	**172,439**	**26,876**	**6,105,877**	**203,951**	**6,309,828**

6.1.5 Cash flow statement at 31 December 2019

In thousands of euros	31/12/2019	31/12/2018
PRE-TAX INCOME (A)	**190 789**	**128 452**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	33 117	22 564
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	14 462	
Impairment of goodwill and other fixed assets	6 714	-
Provisions net of other provisions (including technical insurance provisions)	233 686	6 902
Share of earnings from companies accounted for by the equity method	1 584	- 4 515
Net gain/(net loss) on investment activities	- 19 630	32 535
Net gain/(net loss) on financing activities	13 571	21 933
Other items	- 700	260 566
TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)	**282 803**	**339 986**
Cash received from credit institutions and equivalent	- 1 190 099	- 1 323 473
Cash received from customers	- 1 842 866	- 1 677 261
Cash flows from other operations affecting other financial assets or liabilities	223 652	- 6 396
Cash flows from operations affecting non-financial assets or liabilities	- 165 689	328 422
Taxes paid	- 10 543	- 16 968
= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)	**- 2 985 545**	**- 2 695 676**
Net cash flows from operating activities (A+B+C)	**- 2 511 953**	**- 2 227 238**
Cash flows from financial assets and equity stakes*	- 260 045	- 247 406
Cash flows from property, plant and equipment and intangible assets	- 41 405	- 37 975
Net cash flows from investment activities	**- 301 450**	**- 285 381**
Cash flows related to the application of IFRS 16	- 12 993	
Cash flows from shareholders **	257 000	311 424
Cash flows to shareholders ***	- 65 101	- 49 297
Other net cash flows from financing activities ****	2 752 448	3 287 006
Net cash flows from financing activities	**2 931 354**	**3 549 133**
Net increase/(decrease) in cash and cash equivalents	**117 951**	**1 036 514**
Opening balance of cash and cash equivalents	**3 294 756**	**2 258 242**
Net balance of cash accounts and accounts with central banks	1 399 405	1 016 702
Net balance of term loans and deposits from credit institutions	1 895 351	1 241 540
Ending balance of cash and cash equivalents	**3 412 707**	**3 294 756**
Net balance of cash accounts and accounts with central banks (1)	1 259 072	1 399 405
Net balance of term loans and deposits from credit institutions (2)	2 153 635	1 895 351
Change in cash and cash equivalents	**117 951**	**1 036 514**

(1) Net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet at 30 December 2019.
(2) Net balance of "Demand receivables and payables from/to credit institutions".
** The flows related to financial assets and equity investments mainly come from the equity investment activity of the Proparco subsidiary and correspond to the flows during the period between acquisitions, disposals and fund raising.*
*** Cash flows from shareholders correspond to RCS issues.*
**** Cash flows to shareholders correspond to the dividends paid by AFD to the French State and paid to minority shareholders by the Proparco subsidiary.*
***** Other net cash flows from financing activities correspond to market borrowings carried out by AFD to meet the growth in its operating activity (see 1.4 Business financing).*

6.2 Notes to the consolidated financial statements

I SUMMARY OF NOTES

6.2.1 Significant events at 31 December 2019

6.2.1.1 Financing of the Group's activity

To finance the growth in activity on its own behalf, AFD made five bond issues in the form of public issues and 10 private investments, as well as six tap issues, for a total volume of €6.4bn during 2019.

6.2.1.2 Allocation of 2018 net income

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial order.

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

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

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

6.2.1.3 Proparco's shareholding structure

BPCE International sold its Proparco shares to AFD on 3 April 2019, bringing AFD's holding in Proparco's share capital to 74.18% (compared with 64.95% in 2018).

6.2.1.4 First-time application of IFRS 16 within the AFD Group

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

The effects of the first-time application of IFRS 16 are presented in Chapter 6.2.2 "Applicable accounting standards".

6.2.2 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 No. 2017-02 of 2 June 2017 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards.

The consolidated financial statements of the AFD Group at 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting standards used in the preparation of AFD's financial statements at 31 December 2019 are described in Note 6.2.3.2.

These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the financial statements at 31 December 2019 were supplemented by the provisions of IFRS as adopted by the European Union and with mandatory application for the first time during this period. They relate to:

Standards, amendments or interpretations	Dates of publication by the European Union	Date of application: financial years starting from
IFRS 16 Leases Replacement of IAS 17 – Leases	October 2017	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation clarifies how to account for uncertainties when calculating income taxes under IAS 12	June 2017	1 January 2019
Amendements to IAS 39 - IFRS 9 and IFRS 7 Amendments changing the requirements for hedge accounting	September 2019	1 January 2020

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

IFRS 16 "Leases"

The Group implemented IFRS 16 Leases which replaces IAS 17 and all related interpretations (IFRIC 4, SIC 15, Operating leases – Incentives and SIC 27, Evaluating the Substance of Transactions involving the Legal Form of a Lease). It is applicable to financial years starting from 1 January 2019.

The main change introduced by IFRS 16 relates to lessee accounting. IFRS 16 will require lessees to adopt a model in which all leases are reported in the balance sheet; all commitments for the full duration of the contract must be reported on the liabilities side and a usage right to be amortised must be recorded on the assets side.

In 2017, the AFD Group began a survey of its real estate assets and IT hardware contracts, which constitute the majority of the Group's leases.

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

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

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

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

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

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

6

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

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

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

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

IFRIC 23 "Uncertainty over Income Tax Treatments"

This interpretation of IAS 12 "Income Taxes" clarifies the treatment of all uncertainties over the acceptability of tax treatments related to income tax.

The application of these amendments and interpretations did not have an impact on the AFD Group.

Amendments to IAS 39, IFRS 9 and IFRS 7 "Changes in criteria for hedge accounting requirements"

In September 2019, the IASB introduced amendments to IAS 39, IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which changes the requirements of the criteria for using hedge accounting by allowing the continuation of hedging relationships existing before the effective implementation of that reform. These amendments were adopted by the European Commission on 15 January 2020 with mandatory application for the 2020 financial statements. In January 2019, AFD started a Group-wide transition process under the direction of the Finance Department to comply with regulatory requirements and anticipate the impact of changing indexes on the economic balance of its contracts. In addition, the data were surveyed and analysed. It was found that the rates the AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR. The hedging relationships in micro-hedges were tested as of 31 December 2019 based on a present-value discounted at €STR and compared to the fair values of the decree based on an EONIA present-value discount in order to simulate the earnings impact of a hypothetical switch to €STR. This work is still in the process of completion, and the quantitative impacts will be announced in the first half of 2020.

6.2.3 Principles for the preparation of the consolidated financial statements of the AFD Group at 31 December 2019

6.2.3.1 Consolidation scope and methods

6.2.3.1.1. Consolidation scope

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

The following are not included in the consolidation scope:

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

IFRS 10-11-12 consolidation standards: 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 list of companies in which AFD directly or indirectly holds an equity interest that exceeds 20% of the company's share capital is presented on the following page.

In thousands of euros	Localisation	% control 2018	% control 2019	% interest 2019	Balance sheet total[(1)]	Total net income	Contribution to earnings[(2)]
AFD					46,848,090		159,062
Fully consolidated companies							
Soderag	Antilles	100.00	100.00	100.00	-697		-28
Proparco	Paris	64.95	74.18	74.18	5,733,706		28,722
Sogefom - AFD share	Paris	58.69	58.69	60.00	45,775		-419
Sogefom - Socredo share	Paris	1.31	1.31				
Fisea	Paris	100.00	100.00	100.00	2,357		-13,202
Propasia	Hong Kong	100.00	100.00	74.18	3,550		-114
Companies accounted for by the equity method							
• *Non-financial entities*							
Société Immobilière de Nouvelle Calédonie	New Caledonia	50.00	50.00	50.00	36,483		-5,884
• *Financial entities*							
Banque Socredo	Polynesia	35.00	35.00	35.00	109,189		4,300
Entities not accounted for							
• *Foreign state-owned or partially state-owned entities*							
Société Financière Algérienne et Européenne de Participation (Finalep)	Algeria	28.73					
Banque nationale de Développement Agricole	Mali	22.67	22.67	22.67	696,033	12,082	
Banque de Développement des Seychelles	Seychelles	20.41	20.41	20.41	67,863	1,706	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20.00	20.00	20.00	26,067	3,199	
• *Stakes held by Proparco in entities abroad*							
Acon Alaof V	Multi-country		37.50	37.50	N/D	N/D	
Acon Latin America Opportunities Fund A	Multi-country	20.00	20.00	20.00	17,479	-263	
Acon Renewables BV (Hidrotenencias SA)	Panama	24.47	24.47	24.47	49,568	25,394	
African Education Holdings	Multi-country		33.33	33.33	N/D	N/D	
Africinvest III SPV I	Kenya		21.82	21.82	58,065	605	
Amethis Milling SPV	Mozambique	26.32	26.32	26.32	34,218	524	
Averroes Finance II	Multi-country	50.00	50.00	50.00	20,960	-425	
Averroes Finance III	Multi-country	40.00	40.00	40.00	18,715	-707	
Bredev SAS	Brazil		100.00	100.00	N/D	N/D	
Capsquare Asia Partners Fund II LP	Indonesia	24.92	21.30	21.30	16,439	-1,813	
Central Africa Growth Fund	Multi-country	24.47	23.41	23.41	2,468	0	
EuroPro Holding SAL (ex Wadi Holding)	Egypt	35.29	35.29	35.29	151,299	17,310	
Frontier Clearing Funds	Multi-country		23.32	23.32	18,974	758	
Ilera Holdings	Morocco		27.22	27.22	43,356	843	

In thousands of euros	Localisation	% control 2018	% control 2019	% interest 2019	Balance sheet total[1]	Total net income	Contribution to earnings[2]
IT worx(It holding)	Egypt	23.87	23.87	23.87	20,236	-1	
Seaf India Agribusiness international Fund	India	33.36	33.36	33.36	7,418	-337	
TIBA EDUCATION HOLDING BV	Egypt	100.00	100.00	100.00	17,428	4,232	
TLG Finance SAS (Alios Finance)	Multi-country	22.84	22.84	22.84	13,572	-2,868	
TPS (D) Limited	Tanzania	20.50	20.50	20.50	36,241	369	
Tunisie Participations SA (ex Tunisie Sicar)	Tunisia	20.00	20.00	20.00	565	4	
Kantara Proparco I Ltd (ex Unimed)	Tunisia	26.00	26.00	26.00	N/D	N/D	
Retiro Participations	France	100.00	100.00	100.00	N/D	N/D	
Attijari Bank	Mauritania	20.00					
Averroes Finance SAS	Multi-country	34.25					
BIMR	Djibouti	20.00					
Catalyst Fund II	Multi-country						
MC II Concrete Limited	Multi-country	22.22					
Bozano Investimentos Growth Capital Fund I -A LP	Brazil	33.33					
TR Propasia	Multi-country	100.00					
CFE Tunisie	Tunisia	17.64					
• *French entities with balance sheets of no significance*							
Retiro Participations - Proparco share	Paris	100.00	100.00	100.00	0	0	
• *Stakes held by Fisea in entities abroad*							
AB Bank Zambia Limited	Zambia		22.50	22.50	20,466	298	
Catalyst Mattress Africa	Multi-pays		20.97	20.97	N/D	N/D	
Chain Hotel Conakry	West Africa	23.17	23.17	23.17	31,468	-2,033	
Fanisi Venture Capital Fund	Multi-country	22.99	22.99	22.99	8,635	-1,140	
Fefisol	Multi-country	20.00	20.00	20.00	29,753	1,663	
Metier Capital Growth International Fund II	Multi-country	28.91	28.91	28.91	17,431	-378	
INCOME GROUP SHARE							**172,439**

(1) The balance sheet total indicated corresponds to the balance sheet total before restatement of intra-group entries.
(2) Before elimination of intra-group transactions.

Minority interests:

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

	31/12/2019			31/12/2018		
In thousands of euros	% of control and vote held by minority interests	Share net income	Share equity (of which income)	% of control and vote held by minority interests	Share net income	Share equity (of which income)
Proparco	25.82%	9,998	196,933	35.05%	22,542	208,502
Other subsidiaries		-319	7,018		-167	8,021
TOTAL MINORITY SHARE		**9,679**	**203,950**		**22,374**	**216,524**
TOTAL GROUP SHARE		**172,439**	**6,105,877**		**115,225**	**5,980,012**

The 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 the AFD Group.

6.2.3.1.2. Consolidation principles and methods

The following consolidation methods are used:

Full consolidation

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

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

The following five companies are fully consolidated:

- the Société de promotion et de participation pour la coopération économique (Proparco), created in 1977.

Proparco's status change from a credit institution to a finance company became effective on 25 May 2016 on receipt of notification from the ECB.

At 31 December 2019, the company's share capital totalled €693M and AFD's stake was 74.2%;

- the Société de développement régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.

At 31 December 2019, the company's share capital amounted to €5.6M. It is 100% owned by AFD;

- The Société de gestion des fonds de garantie d'Outre-mer (Sogefom), whose shares AFD purchased, and which were held by the Institut d'émission d'Outre-mer (IEOM), on 12 August 2003, following the request from the Minister for the Economy, Finance and Industry and the Minister for French Overseas Departments and Collectivities.

At 31 December 2019, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;

- Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. This simplified joint-stock company with registered capital of €227.0M is almost wholly owned by AFD, with Proparco owning one share. It is managed by Proparco;
- TR Propasia LTD, a public limited company created in October 2008, whose corporate purpose is purchasing equity stakes in companies or organisations that promote environmentally-friendly economic and social development in Asia. The company is registered in Hong Kong and has $10M in share capital. It is a wholly-owned subsidiary of Proparco. At 31 December 2019, 52% of its share capital, i.e. $5.2M, was fully paid up.

Equity method

Companies over which AFD has significant influence are accounted for by the equity method. Significant influence means the power to participate in the financial and operating policy decisions of the subsidiary but without having control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes or (iii) material transactions between the companies. At 31 December 2019, this method was used for two companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which significant influence may be proven: La Société immobilière de Nouvelle Calédonie (SIC) and Socredo.

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

Comments on other companies

AFD also has equity investments in a number of companies over whose management it has no significant influence. These companies are not consolidated, either fully or using the equity method. They are recorded under "Financial assets at fair value through profit and loss" or "Financial assets at fair value through shareholders' equity".

6.2.3.1.3. Restatement of transactions

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

6.2.3.2 Accounting principles and policies

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated financial statements and applicable in line with the Group's principles by entities consolidated by AFD.

The main evaluation and presentation rules used in preparing AFD's financial statements at 31 December 2019 are described below.

6.2.3.2.1. Conversion of foreign currency transactions

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. Translation adjustments relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under "Financial assets at fair value through profit and loss" and in liabilities if the asset is classified under "Financial assets at fair value through equity".

6.2.3.2.2. Use of estimates

Some items recognised in the consolidated financial statements in accordance with the accounting principles and policies involve the use of estimates made on the basis of available information. These estimates are mainly used for the fair value measurement of financial instruments, impairments and provisions.

The use of estimates mainly concerns:

- the assessment of losses expected at 12 months or maturity in application of the second section of IFRS 9;
- provisions recorded as liabilities on the balance sheet (provisions for employee benefit obligations, litigation, etc.);
- some financial instruments that are valued using complex mathematical models or by discounting probable future cash flows.

6.2.3.2.3. Financial Instruments

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

Financial assets and liabilities are recognised in the financial statements in accordance with the provisions of IFRS 9 as adopted by the European Union.

Accordingly, financial assets are classified at amortised cost, at fair value through equity or at fair value through profit and loss, depending on the contractual characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

The AFD Group has continued to apply the provisions of IAS 39 on hedging pending the introduction of future provisions on macro- hedging.

Financial assets

Classification and measurement of financial assets

Upon initial recognition, financial assets are measured at their fair value as defined in IFRS 13 and are classified in the Group's balance sheet in one of three categories (amortised cost, fair value through equity or fair value through profit and loss), as defined in IFRS 9. Purchases/sales of financial assets are recognised at the completion date. The accounting classification defines the way in which the financial assets are subsequently measured.

This classification depends on the characteristics of their contractual flows and the way in which the entity manages its financial instruments (business model).

- The contractual characteristics ("Solely Payments of Principal & Interests" or "SPPI" test)

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan for which interest is paid essentially in consideration of the time value of the money and the credit risk.

The interest may also however contain consideration for other risks (liquidity risk, for example) and charges (admin charges, for instance) for holding the financial asset for a certain period. The interest may include a margin which is in keeping with a basic loan agreement.

However, when the contractual arrangements expose the contractual cash flows to risks or volatility which are not commensurate with a basic loan agreement, for example exposure to variations in the price of equities or goods, the contractual cash flows are not solely payments of principal and interests and the contract is therefore recognised at fair value through profit and loss.

- The management model

The management model defines how the instruments used to generate cash flows are managed.

The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

- the performance reports submitted to the Group's Senior Management;
- the compensation policy for portfolio managers;
- completed and anticipated asset sales (size, frequency, etc.).

Based on the criteria observed, the three management models for the classification and measurement of financial assets are:

- the collection only model for contractual cash flows of financial assets;
- the model based on the collection of contractual cash flows and the sale of financial assets; and
- any other models, such as the sales only model.

The method of accounting for financial assets resulting from the analysis of contractual clauses coupled with the qualification of the business model is presented in the diagram below:

Financial Assets (IAS 32)	Cash flow characteristics	Management model	Asset classes
Debt securities	"SPPI (Solely Payment of Principal and Interest)"	Collection of contractual flows	Amortised cost
		Collection of contractual flows and sales	Fair value through equity to be included in profit or loss in the future
		Other	Fair value through P&L
Non basic debt instruments and derivatives	Non SPPI	All management models	Fair value through P&L
Equity securities	Non SPPI	All management models	Fair value or Option Fair Value through equity not to be recycled in profit or loss

a) Debt instruments at amortised cost

Debt securities are measured at amortised cost if both of the following criteria are met: the contractual cash flows are solely payments of principal and interest on the principal amount outstanding and the business model is classified as "hold to collect". This category of financial assets includes:

- Loans and receivables

Loans and receivables are initially recognised at market value plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever a default event has occurred after the grant of the loan with an impact on future projected asset cash flows and, is therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of subsequent reversal of the impairment is booked under net banking income.

- Securities at amortised cost

This category includes debt securities whose contractual characteristics are SPPI and whose business model is classified as "hold to collect".

They are recognised initially at market value plus transaction costs and then at amortised cost using the effective interest method, which includes the amortisation of premiums and discounts. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

These financial assets are subject to impairment under the conditions described in the paragraph below "Impairment of financial assets at amortised cost and at fair value through equity".

b) Debt securities at fair value through equity

Debt securities are measured at fair value through equity if both of the following criteria are met: the contractual cash flows are solely payments of principal and interest on the principal amount outstanding and the business model is classified as "hold to collect and sell".

This category essentially corresponds to fixed income and fixed maturity securities that AFD may have to sell at any time, particularly securities held as part of its asset/liability management.

These financial assets are initially measured at their fair value plus transaction costs. They are subsequently measured at fair value and changes in fair value are recognised in equity to be included in profit and loss in the future. They are also subject to a calculation of expected credit risk losses on the same terms as those applicable to debt securities at amortised cost (Note 5 – Financial instruments at amortised cost).

Interest is recorded as income using the effective interest method.

On disposal, changes in values previously recognised in shareholders' equity will be transferred to the income statement.

c) Debt securities at fair value through profit and loss

This category includes debt securities that do not pass the SPPI test:

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

The characteristics of the contractual flows are such that these do not pass the SPPI test, therefore they cannot be measured at amortised cost.

In line with its procedures, AFD classifies its financial assets using two primary criteria: assets listed on a market and unlisted assets.

Listed assets are divided into two subgroups, those listed on an "active" market, an attribute that is appraised according to objective criteria, or those listed on an inactive market. Assets listed on an "active" market are automatically classified as fair value level 1. Assets listed on an "inactive" market are classified as fair value level 2 or 3, depending on the valuation method used. When there are direct or indirect observable data used for the valuation, the asset is classified as fair value level 2.

When there are no such data or those data are not "observable" (isolated observation, without recurrence), the asset is classified as fair value level 3, just like the unlisted assets. All unlisted assets are classified as fair value level 3 and primarily measured using two methods: the proportionate share of net asset value based on the last financial statements sent by the entities concerned (< 6 months) and the historic cost for AFD's real estate subsidiaries.

Valuations are reviewed every six months. In the event of any changes to the parameters that could be cause for changes to the fair value classification level, the Group Risks Department decides to propose the change in classification that is subject to approval by the Group Risk Committee.

- Loans

Some loan agreements have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. The early repayment flows of these loans are considered to be non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.

As a result, the AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan.

- Foreign exchange or interest rate derivatives used in economic hedging

These are derivatives that do not meet the definition of hedge accounting under IAS 39. These assets and liabilities are measured at fair value through profit and loss. The change in fair value is recorded in the income statement under "Net gains and losses on financial instruments at fair value". The fair value of the foreign-exchange derivatives entered into by AFD frequently includes a hedge of the future margin on loans denominated in foreign currencies. The foreign-exchange income from related assets recognised in income or expenses from other activities partially offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, e.g. the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted cash flows using a zero-coupon curve.

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

d) Equity instruments

In principle, equity instruments are recognised at fair value through profit and loss. However, the option remains of designating equity instruments at fair value through equity reported outside profit and loss. This choice is made on a case-by-case basis for each instrument and is irrevocable.

Where the option to designate an equity instrument at fair value through equity is chosen:

- only the dividends that do not represent the recovery of part of the cost of the investment are recognised in the income statement under "Net gains or losses on financial assets at fair value through shareholders' equity";
- the changes in the fair value of the instrument are only recognised in shareholders' equity and are not subsequently transferred to the income statement. Therefore, if the investment is sold, no gain or loss is recognised in profit and loss; realised gains or losses are reclassified to consolidated reserves.

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

e) Reclassification of financial assets

The reclassification of financial assets takes place only in exceptional cases brought about by a change in business model.

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

Financial liabilities

The classification of financial liabilities was not affected by IFRS 9. Therefore, financial liabilities are classified in one of two categories:

- financial liabilities at fair value through profit and loss by nature or by option are assessed at fair value, and changes in fair value are recognised in the income statement;
- financial liabilities at amortised cost are measured at fair value at inception and subsequently at amortised cost using the effective interest method – there is no change in the amortised cost method compared with IAS 39.

Financial liabilities measured using the fair value through profit and loss option are measured at fair value and changes in fair value have an offsetting entry in profit and loss. The effect of the remeasurement of own credit risk is recognised directly in equity reported outside profit and loss.

It is still necessary to separate embedded derivatives from financial liabilities, where applicable.

Financial liabilities within the AFD Group (excluding derivative instruments) are measured at amortised cost and correspond to:

- debt securities in issue which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method;
- subordinated debt: In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In 2019, AFD received €240M in RCS (resources with special conditions).

Derecognition of financial assets and liabilities

The AFD Group derecognises all or part of a financial asset when:

- the contractual rights to the cash flows linked to the asset expire; or
- AFD transfers the contractual rights to receive the cash flows from the financial asset and transfers almost all the risks and benefits of the ownership of this asset; or
- AFD retains the contractual rights to receive the cash flows from the financial asset but bears the contractual obligation to pay these cash flows to one or several entities.

When derecognising a financial asset in its entirety, the difference between the book value of that asset and the amount of consideration received should be recognised in the profit and loss account among the gains or losses on disposal corresponding to the financial asset transferred.

The AFD Group derecognises a financial liability when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

When derecognising a financial liability in its entirety, the difference between the book value of that liability and the consideration paid must be recognised in profit and loss as an adjustment to the interest expense account corresponding to the derecognised financial liability.

Hedging derivatives

The AFD Group has decided not to apply the third stage of IFRS 9 on "hedge accounting", since AFD applies fair value hedge accounting as defined in IAS 39. This involves a hedge of the exposure to changes in fair value of an asset or liability recognised on the balance sheet. Changes in the fair value stemming from the hedged risk are recorded in the income statement under "Net gains and losses on financial instruments at 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 recognised 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.

6

Impairment of financial assets at amortised cost and at fair value through equity

In accordance with IFRS 9, the impairment model for credit risk is based on the expected credit losses (ECL). Impairment is recognised on debt securities measured at amortised cost or at fair value through equity to be included in profit and loss in the future, as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

General principle

The AFD Group classifies financial assets into three distinct categories (also referred to as "stages") according to changes in the underlying credit risk following initial recognition. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

This is defined as follows:

- stage 1: groups "performing" assets for which the counterparty risk has not increased since they were granted. The provision calculation is based on the expected loss within the following 12 months;
- stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The method of calculating the provision is statistically based on expected loss at maturity;
- stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

Concept of default

The transfer to stage 3 (which meets the definition of "incurred loss" under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard associates the rebuttable presumption of 90 days past due with this concept. It states that the definition used must be consistent with the entity's credit risk management policy and must include qualitative indicators (i.e. breach of covenant).

Thus, for the AFD Group, "stage 3" under IFRS 9 is characterised by a combination of the following criteria:

- definition of a doubtful third party according to the AFD Group;
- use of the default contagion principle.

Third parties with arrears of over 90 days, or 180 days for local authorities, or a proven credit risk (financial difficulties, financial restructuring, etc.) are downgraded to "doubtful" and the doubtful contagion character is applied to all financing for the third party concerned.

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the year-end, adopting a forward looking approach.

The internal ratings calibrated by AFD are by nature forward-looking, taking into account:

- forward-looking elements on the counterparty's credit quality: anticipation of adverse medium-term changes in the counterparty's position;
- country risk and shareholder support.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

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

According to this standard, if the risk for a particular financial instrument is deemed to be low at year-end (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This arrangement has been applied for debt securities recognised at fair value through equity to be included in profit and loss in the future and at amortised cost. For the purposes of stage 1 and 2 classification, counterparties with a very good rating are automatically classified as stage 1.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

Based on the specificities of the AFD Group's portfolio, work was undertaken to define the methodological choices for calculating expected credit losses for all of the Group's assets eligible for recognition at amortised cost or at fair value through equity, in line with stage 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

Probability of default (PD)

The likelihood of a default on a loan can be estimated over a given time span. Probability of default is simulated:

- on the basis of risk segment criteria;
- over 12 months for Stage 1 assets (12-month PD);
- on all asset payment maturities associated with stage 2 (Maturity PD or Lifetime PD Curve).

Given the low volume of loans within the AFD Group, and the low default portfolio nature of certain portfolios, the AFD Group does not have a collection of internal historic defaults that are sufficiently representative of the economic reality of the operating regions of the Group's entities.

For these reasons, the AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. It may be necessary to adjust the external transition matrices that serve as the basis for measuring the probability of default in order to correct some irregularities that might affect the consistency of default probabilities.

Loss given default (LGD)

Loss given default is modelled for assets in all three stages. The AFD Group has taken into account the collateral valuation in the LGD modelling.

In view of AFD's business model and its debt recovery capacity, the AFD Group uses internal recovery data models based on the coverage ratios of doubtful debts and factoring in the likelihood of recovery.

Exposure at default (EAD)

Exposure at default reflects the amount of debt outstanding at the time of default and thus takes future cash flows and forward looking factors into account. As such, EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

Restructuring of financial assets

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial agreement to allow the borrower to contend with the financial difficulties it is having. If the restructuring does not result in derecognition of the assets and the changes in terms are such that the present value of these new expected future flows at the original effective interest rate of the asset is lower than its book value, a discount must be recognised under "Cost of credit risk" to bring the book value back to the new present value.

Gains or losses on financial instruments

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

Income from financial instruments recognised at fair value through profit and loss is recognised under this heading and mainly includes:

- dividends, other revenues and gains and losses realised;
- changes in fair value;
- the impact of hedge accounting.

Gains and losses on financial instruments at fair value through equity

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

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

6.2.3.2.4 Commitments to buy back minority interests

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

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

In the 2019 financial statements, these commitments led to a debt of €90.6M to the minority shareholders of Proparco, with a corresponding entry of an increase in "minority interests" in the amount of €3.0M and a decrease in "Consolidated reserves – Group Share" of €93.7M. The new window has been open since September 2019 and closes in September 2024.

6.2.3.2.5 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets. Fixed assets are recorded at their acquisition cost plus directly-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 the headquarters building.

Depreciation periods have been estimated on the basis of each item's useful life.

Title		Depreciation period
1.	Land	Non-depreciable
2.	Structural system	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

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

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

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

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

Leases

Leases, as defined by IFRS 16 "Leases", are recorded in the balance sheet, leading to the recognition of:

- an asset which corresponds to the right to use the leased asset over the lease duration;
- a debt in respect of the payment obligation.

Measuring the right of use in leases

At the date on which a lease comes into effect, the right of use is measured at its cost and includes:

- the initial lease debt, to which is added, if applicable, advance payments made to the lessor, net of any benefits received from the lessor;
- if applicable, the initial direct costs incurred by the lessee to complete the contract. These are costs that would not have been incurred if the contract had not been signed;
- the estimated costs to rehabilitate and dismantle the rented asset according to the lease terms.

After the initial recognition of the lease, the right of use is measured according to the cost method, involving the recognition of linear depreciation and impairment in accordance with the provisions of IAS 16 (the depreciation method reflecting the way in which the future economic benefits will be consumed).

Measuring the right of use of the assets

On the date a lease takes effect, the lease debt is recognised for an amount equal to the discounted value of the rent over the lease period. The amounts taken into account in respect of rent when measuring the debt are:

- the fixed payments of rent less incentive benefits received from the lessor;
- the variable payments of rent based on an index or rate;
- the payments to be made by the lessee in respect of a residual value guarantee;
- the price paid to exercise a purchase option that the lessee is reasonably certain to exercise;
- the penalties to be paid in the event of the exercise of a cancellation option or the non-renewal of the lease.

The leases signed by the AFD Group do not include a guaranteed value clause for rented assets.

The change in the debt related to the lease involves:

- an increase up to the interest rate expenses set by applying the discount rate to the debt;
- and a decrease in the amount of the rent payments made.

The financial expenses for the period relating to the lease debt are recorded under "Interest and similar expenses on transactions with credit institutions".

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

The lease debt is estimated again in the following situations:

- review of the lease period;
- modification related to the assessment of the reasonably certain exercise of an option (or not);
- new estimate related to the guarantees of residual value;
- review of the rates or indexes on which the rent is based.

6.2.3.2.6 Provisions

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

Provisions for sovereign outstandings

The agreement "on the reserve account" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

The reserve account is used to (i) top up the provisions built up by AFD in case of sovereign default, (ii) pay interest outstanding and (iii) help offset debt write-offs pertaining to sovereign loans.

The balance of this account cannot be less than the amount required to establish collective provisions on performing or restructured loans. This calibration is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Doubtful sovereign loans are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

Provisions for financing and guarantee commitments

Financing and guarantee commitments that are not recognised at fair value through profit and loss and that do not correspond to derivative instruments are provisioned in accordance with the principles set out in IFRS 9.

Provisions for subsidiary risk

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

Provision for employee benefits – Post-employment benefits

Defined benefit plans.

Retirement and early retirement commitments

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

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

The assumptions used for the valuations are as follows:

- discount rate: 0.00%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual increase in salary: 2.00%.

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: 1.00%;
- annual increase in salary: 2.00%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- mortality 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, provisions recognised at 31 December 2019:

- amount to €7.3M 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 2019 less benefits paid by the employer over the period;
- appear on the balance sheet as items that cannot be recycled to profit and loss and amount to a gain of €29.7M arising from the measurement of commitments as at 31 December 2019 and are recognised as equity.

6.2.3.2.7 Deferred tax

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 book value of assets and liabilities and their tax base.

The AFD Group recognises deferred taxes mainly on the unrealised gains and losses of the equity securities held by Proparco and Fisea, impairment recognised by Proparco on loans at amortised cost and on unrealised gains and losses on loans recognised at fair value through profit and loss by applying the current rates.

6.2.3.2.8 Segment reporting

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

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

6.2.3.2.9 Cash flow statement principles

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

AFD's cash flow statement is presented in accordance with ANC Recommendation No. 2017-02 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with net income restated for non-monetary items: provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets, net allocations to provisions and other transfers not involving cash disbursement, such as accrued liabilities and income.

Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the 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.

6.2.4 Notes to the financial statements at 31 December 2019

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

For financial instruments, the comparative data for the 2018 financial year presented against the 2019 data remain in accordance with the provisions of IFRS 9.

6.2.4.1 Notes to the Balance Sheet

NOTE 1 Financial assets and liabilities at fair value through profit and loss

		31/12/2019			31/12/2018		
In thousands of euros	Notes	Assets	Liabilities	Notional/ Outstanding	Assets	Liabilities	Notional/ Outstanding
Interest rate derivatives	1.1	374	11,550	568,885	2,827	12,576	603,387
Foreign exchange derivatives	1.1	65,402	268,707	4,993,202	81,970	320,503	4,914,717
Derivatives at fair value through profit and loss		77,917	77,474	1,284,569	115,914		1,091,157
Debt securities that do not meet the SPPI criteria	1.2	2,594,420		2,552,997	2,212,564		2,129,819
CVA/DVA		32	1,967	-	112	6,080	-
TOTAL		**2,738,146**	**359,698**	**9,399,652**	**2,413,386**	**339,159**	**8,739,079**

Note 1.1 Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives are measured at fair value through profit and loss and are therefore treated as financial assets held for trading.

Under IFRS, a derivative is always presumed to be held for trading, unless there is documented evidence of the hedging intention and the derivative is eligible for hedge accounting. For AFD, this category includes hedging instruments that are not eligible for hedge accounting ("natural" currency hedges).

Note 1.2 Debt instruments that do not meet the SPPI criteria

In thousands of euros	Notes	31/12/2019	Notional/ Outstanding	31/12/2018	Notional/ Outstanding
Loans to credit institutions	**1.2.1**	**483,040**	**482,847**	**361,640**	**372,405**
Performing loans		469,839	466,558	361,191	366,117
Doubtful outstandings		13,201	16,290	449	6,288
Loans to customers	**1.2.1**	**813,498**	**819,621**	**771,407**	**806,755**
Performing loans		808,480	799,890	770,131	791,596
Doubtful outstandings		5,017	19,730	1,276	15,159
Title		**1,297,882**	**1,250,529**	**1,079,517**	**950,658**
Bonds and other fixed-income securities	1.2.2	45,769	47,173	106,340	16,723
UCITS		52,728	41,051	50,200	41,054
Equity stakes and other long-term securities	1.2.3	1,199,384	1,162,304	922,978	892,881
Of which equity stakes held in investment funds		*1,022,251*	*1,025,387*	*794,935*	*769,238*
Of which equity stakes held directly with a put option		*177,133*	*136,917*	*128,043*	*123,643*
TOTAL		**2,594,420**	**2,552,997**	**2,212,564**	**2,129,819**

1.2.1 Loans that do not meet the SPPI criteria

Loan agreements may have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. The early repayment flows of these loans are considered to be non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.

As a result, the AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan in accordance with the accounting rules applied by the Group.

1.2.2 Bonds and other long-term securities

Bonds and other long-term securities within the AFD Group are debt securities whose contractual flows are not SPPI due to the nature of the flows exchanged. They are therefore measured at fair value through profit and loss (e.g. convertible bonds, etc.).

1.2.3 Equity investments

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

The AFD Group also holds direct equity investments with put options for operational purposes.

The contractual flows of these financial assets are not SPPI and are therefore measured at fair value through profit and loss.

Investments in unconsolidated structured entities

Breakdown by portfolio activity

Equity investments held in investment funds	Number of equity stakes	31/12/2019	Number of equity stakes	31/12/2018
Homogeneous activity portfolios				
Agribusiness	9	68,443	9	71,664
Energy	5	44,791	5	34,452
Infrastructure	7	78,532	6	62,889
Mining	2	4	3	2,557
Multi-sector SME-SMI	12	65,876	12	70,852
Healthcare	6	51,794	4	33,492
Financial services	20	233,266	18	156,697
Multi-sector	72	479,547	68	362,333
NON-CONSOLIDATED STRUCTURED ENTITIES	**133**	**1,022,251**	**125**	**794,935**

Breakdown by operating region

Investments held in the Investment Funds	Number of investments	31/12/2019	Number of equity stakes	31/12/2018
Operating region				
Southern Africa	5	3,927	6	7,319
East Africa	10	77,456	9	53,766
West Africa	7	34,447	6	21,537
North Africa	18	90,836	21	101,141
Asia	16	108,511	19	106,599
Multi-region	77	707,074	64	504,573
NON-CONSOLIDATED STRUCTURED ENTITIES	**133**	**1,022,251**	**125**	**794,935**

Investments in unconsolidated structured entities – Risk exposure and dividends received

	31/12/2019			31/12/2018		
In thousands of euros	Available-for-sale financial assets	Maximum exposure	Dividends received over the year	Available-for-sale financial assets	Maximum exposure	Dividends received over the year
Homogeneous portfolios						
Agribusiness	68,443	68,443		71,664	71,664	
Energy	44,791	44,791		34,452	34,452	
Infrastructure	78,532	78,532		62,889	62,889	
Mining	4	4		2,557	2,557	
Multi-sector SME-SMI	65,876	65,876		70,852	70,852	
Healthcare	51,794	51,794		33,492	33,492	
Financial services	233,266	233,266		156,697	156,697	
Multi-sector	479,547	479,547		362,333	362,333	
STRUCTURED UNCONSOLIDATED ENTITIES – INVESTMENT FUNDS	**1,022,251**	**1,022,251**	**-**	**794,935**	**794,935**	**-**

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 financial year end. 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.

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

Note 1.3 Equity instruments at fair value through profit and loss

Equity instruments measured at fair value through profit and loss correspond to investments held by AFD for which the classification at fair value through non-transferable shareholders' equity has not been selected.

At 31 December 2018, on first-time adoption of IFRS 9, the Group opted for the fair value classification under non-recyclable equity of its portfolio of direct investments without put options, which make up the majority of the Group's equity instruments.

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NOTE 2 Financial hedging derivatives

Note 2.1 – Fair value hedging instruments

	31/12/2019			31/12/2018		
	Book value			Book value		
In thousands of euros	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1,787,323	940,348	41,278,499	1,170,325	528,955	35,364,382
Interest rate and foreign exchange derivatives (cross-currency swaps)	771,655	545,769	10,580,278	653,914	411,385	10,092,654
TOTAL	**2,558,977**	**1,486,117**	**51,858,777**	**1,824,239**	**940,339**	**45,457,037**

Note 2.2 – Analysis by residual maturity (notional)

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

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2019
Fair value hedging					
Interest rate derivatives	240,000	787,167	12,232,268	28,019,064	41,278,499
Interest rate and foreign exchange derivatives (cross-currency swaps)	1,114,098	1,256,475	3,697,707	4,511,998	10,580,278
TOTAL	**1,354,098**	**2,043,641**	**15,929,975**	**32,531,062**	**51,858,777**

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

Note 2.3 – Hedged items

	31/12/2019				
	Current hedges		Expired hedges		Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
In thousands of euros	Book value	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	
Interest rate	**14,883,136**	**859,567**		**-2,044**	**457,876**
Loans and receivables due from credit institutions at amortised cost	875,072	28,989		130	8,298
Loans and receivables due from customers at amortised cost	12,971,432	810,130		-997	434,087
Financial assets at fair value through equity	1,036,633	20,447		-1,177	15,492
Interest rate and foreign exchange derivatives (cross-currency swaps)	**4,798,439**	**449,027**		**11,773**	**247,246**
Loans and receivables due from credit institutions at amortised cost	388,346	19,755		-1,303	15,797
Loans and receivables due from customers at amortised cost	4,410,094	429,272		13,076	231,449
Total fair value hedging of assets	**19,681,576**	**1,308,594**	**-**	**9,729**	**705,122**
Interest rate	**-27,344,630**	**-1,756,477**	**48,297**	**0**	**-763,472**
Debt securities in issue at amortised cost	-27,344,630	-1,756,477	48,297	0	-763,472
Interest rate and foreign exchange derivatives (cross-currency swaps)	**-5,989,377**	**-439,406**	**-**	**-122,812**	**-73,250**
Debt securities in issue at amortised cost	-5,989,377	-439,406	-	-122,812	-73,250
TOTAL FAIR VALUE HEDGING OF LIABILITIES	**-33,334,006**	**-2,195,884**	**48,297**	**-122,812**	**-836,722**

Note 2.4 – Income resulting from hedge accounting

	31/12/2019			31/12/2018		
	Net income (Income resulting from hedge accounting)			Net income (Income resulting from hedge accounting)		
In thousands of euros	Change in fair value of hedging instruments *	Change in fair value of hedged items *	Part d'inefficacité de couverture	Change in fair value of hedging instruments *	Change in fair value of hedged items *	Ineffective portion of hedge
Interest rate	334,296	-305,596	28,700	148,576	-109,263	39,313
Interest rate and foreign exchange *derivatives* (cross-currency swaps)	-171,207	173,996	2,790	193,032	-202,000	-8,968
Other						
TOTAL	**163,089**	**-131,600**	**31,490**	**341,608**	**-311,263**	**30,344**

* *including sale of hedge.*

NOTE 3 Financial assets at fair value through shareholders' equity

	31/12/2019		31/12/2018	
In thousands of euros	Book value	Change in fair value over the period	Book value	Change in fair value over the period
Debt securities recognised at fair value through equity to be recycled in profit or loss	**1,057,076**	**3,468**	**1,067,532**	**-20,813**
Government paper and equivalent	874,958	5,199	891,791	-21,329
Bonds and other securities	182,118	-1,731	175,742	517
Equity securities recorded at fair value through equity not to be recycled in profit or loss	**455,470**	**-14,476**	**397,163**	**-21,137**
Unconsolidated equity stakes	455,470	-14,476	397,163	-21,137
TOTAL	**1,512,546**	**-11,008**	**1,464,695**	**-41,950**

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

	31/12/2019				31/12/2018			
In thousands of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Equity instruments at fair value through profit or loss	-	-	1,199,384	1,199,384	1,047	-	921,931	922,978
Debt securities that do not meet the SPPI criteria	52,728	-	1,342,307	1,395,036	50,200	-	1,239,386	1,289,586
Financial assets recorded through equity	1,026,347	30,729	455,470	1,512,546	1,067,532	-	397,163	1,464,695
Hedging derivatives (Assets)	-	2,558,977	-	2,558,977	-	1,824,239	-	1,824,239
Financial liabilities at fair value through profit or loss	-	358,033	1,666	359,698	-	338,316	842	339,159
Hedging derivatives (Liabilities)	-	1,486,117	-	1,486,117	-	940,339	-	940,339
Derivatives	-	138,282	5,444	143,726	-	192,623	8,200	200,823

- Sensitivity of the fair value of level 3 instruments

The category of instruments measured at level 3 fair value mainly comprises equity investments.

The sensitivity calculations do not apply because their valuations are not linked to market parameters.

NOTE 5 Financial instruments at amortised cost

Financial assets measured at amortised cost

		31/12/2019		31/12/2018	
In thousands of euros	Notes	Demand	Term	Demand	Term
Debt securities at amortised cost	5.1		1,221,164		1,301,006
Loans and receivables due from credit institutions	5.2	2,164,099	5,915,995	1,908,646	5,213,378
Loans and receivables due from customers	5.2		28,822,617		26,485,764
TOTAL		**2,164,099**	**35,959,776**	**1,908,646**	**33,000,148**

Note 5.1 Debt securities at amortised cost

	31/12/2019		31/12/2018	
In thousands of euros	Demand	Term	Demand	Term
Government paper and equivalent	-	704,462	-	747,500
Bonds and other securities	-	516,702	-	553,505
TOTAL	**-**	**1,221,164**		**1,301,006**
Impairments*	-	-	-	-
TOTAL	**-**	**-**		**-**

* *Being debt securities recorded at fair value through equity to be recycled in profit and loss as well as debt securities at amortised cost, AFD decided to apply a low credit risk model.*

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

	31/12/2019		31/12/2018	
In thousands of euros	Demand	Term	Demand	Term
Loans to credit institutions at amortised cost		**5,118,882**		**5,170,625**
Performing loans		4,910,692		5,098,375
Doubtful outstandings		208,190		72,250
Impairments		**-97,110**		**-87,524**
Related receivables		**76,123**		**26,895**
Valuation adjustments of loans hedged by forward financial instruments		**48,177**		**24,578**
Subtotal		**5,146,072**		**5,134,574**
Loans to customers at amortised cost		**28,366,744**		**26,415,356**
Performing loans		27,259,287		25,586,690
Doubtful outstandings		1,107,456		828,667
Impairments		**-658,164**		**-576,125**
Related receivables		**52,779**		**61,625**
Valuation adjustments of loans hedged by forward financial instruments		**1,061,258**		**584,907**
Subtotal		**28,822,617**		**26,485,764**
TOTAL LOANS AT AMORTISED COST	**-**	**33,968,689**		**31,620,338**
Other receivables at amortised cost				
Deposits (available cash) at credit institutions	2,164,099	769,552	1,908,646	78,553
Related receivables		371		252
TOTAL OTHER RECEIVABLES AT AMORTISED COST	**2,164,099**	**769,923**	**1,908,646**	**78,804**
TOTAL LOANS AND OTHER RECEIVABLES AT AMORTISED COST	**2,164,099**	**34,738,612**	**1,908,646**	**31,699,142**

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NOTE 6 Accruals and miscellaneous assets/liabilities

	31/12/2019		31/12/2018	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Guarantees against collateral	706,680	1,181,378	386,833	956,716
Allocated public funds		87,363		69,530
Other assets and liabilities	185,958	1,073,391	65,575	1,012,753
Accounts payable, French State		113,270		37,824
TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/LIABILITIES	**892,637**	**2,455,403**	**452,408**	**2,076,824**

NOTE 7 Property, plant and equipment and intangible assets

	Property, plant and equipment					
In thousands of euros	Land & development	Buildings & development	Other	Intangible assets	Total 31/12/2019	Total 31/12/2018
Gross value						
At opening	88,706	220,639	60,652	94,558	464,555	435,163
Purchases	271	6,094	9,821	20,125	36,310	31,412
Disposals/retirements	-	-369	-3,738	-9,994	-14,101	-2,020
Other item	-131	-1,986	-2,024	-3,802	-7,943	-
Change in scope	-	-	-	-	-	-
At closing	**88,846**	**224,378**	**64,710**	**100,887**	**478,822**	**464,555**
Depreciation/amortisation						
At opening	2,970	129,498	42,491	55,516	230,475	209,151
Provisions	155	8,591	5,393	9,238	23,376	22,564
Reversals	-	-81	-3,578	-2	-3,661	-1,244
Other items	-	-37	-34	-145	-216	-
Change in scope	-	-	-	-	-	-
At closing	**3,124**	**137,971**	**44,272**	**64,607**	**249,974**	**230,473**
NET VALUE	**85,721**	**86,407**	**20,438**	**36,280**	**228,847**	**234,080**

At 1 January, the AFD Group had applied IFRS 16, leading to a restatement of real estate leases. The impact as at 31 December 2019 is fairly limited with a right-of-asset use recognised for a net total of €76.1M.

In thousands of euros	Registered offices	Offices	31/12/2019
Gross value			
At 1 January 2019	86,041	4,473	90,514
New contract			-
Modification to contract			-
Other items			-
At 31 December 2019	**86,041**	**4,473**	**90,514**
Depreciation/amortisation	13,203	1,258	14,462
NET VALUE	**72,837**	**3,215**	**76,052**

NOTE 8 Financial liabilities measured at amortised cost

Debts to credit institutions and customers and debt securities in issue at amortised cost

In thousands of euros	31/12/2019	31/12/2018
Debts to credit institutions at amortised cost		
Demand debts	8,807	11,139
Term debts	634	640
Related debts		
TOTAL DEBTS TO CREDIT INSTITUTIONS AT AMORTISED COST	**9,440**	**11,779**
Debts to customers at amortised cost		
Accounts payable, customers	1,657	1,690
TOTAL DEBTS TO CUSTOMERS AT AMORTISED COST	**1,657**	**1,690**
Debt securities in issue at amortised cost		
Interbank market securities	100,029	478,458
Bonds	32,199,229	29,487,317
Related debts	379,730	353,678
Valuation adjustments of debt securities in issue hedged by derivatives	1,802,786	925,822
TOTAL DEBT SECURITIES IN ISSUE AT AMORTISED COST	**34,481,774**	**31,245,275**

Maturity of debt securities in issue at amortised cost

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2019
Maturity of debt securities in issue					
Bonds	1,858,086	2,745,406	14,887,647	14,890,606	34,381,746
Interbank market securities	100,029				100,029
TOTAL	**1,958,115**	**2,745,406**	**14,887,647**	**14,890,606**	**34,481,774**

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

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Debt securities in issue by currency

In thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2019
Debt securities in issue by currency						
Bonds	26,792,219	7,087,171	119,118	279,081	104,156	34,381,746
Interbank market securities	100,029					100,029
TOTAL	**26,892,248**	**7,087,171**	**119,118**	**279,081**	**104,156**	**34,481,774**

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

NOTE 9 Provisions

Provisions

In thousands of euros	31/12/2018	Provisions	Reversals available	Translation adjustment	31/12/2019
Included in the cost of risk					
French Overseas Department subsidiary risks	27,446	2,707	-702	-	29,451
Other provisions for risk	118,711	69,191	-23,433	5	164,475
Subtotal	*146,157*	*71,898*	*-24,134*	*5*	*193,926*
Excluded from the cost of risk	-				
Provision for expenses – Sovereign loans	740,986	63,721	-58	9	804,658
Staff costs	108,549	38,528	-150	-46	146,881
Provision for risks and expenses	6,008	700	-338	51	6,420
TOTAL	**1,001,700**	**174,847**	**-24,681**	**19**	**1,151,884**

Asset impairment

In thousands of euros	31/12/2018	Provisions	Reversals available	Translation adjustment	31/12/2019
Banks	34,021	8,505	-6,344	142	36,323
Credit to customers	441,184	117,491	-39,990	-911	517,774
Of which Cost of risk		*119,792*	*-40,600*	*-769*	
Other receivables	10,844	17	-64	7	10,805
Group of homogeneous assets	188,445	64,028	-51,295	-	201,178
Of which Cost of risk		*64,028*	*-51,295*		
TOTAL	**674,493**	**190,040**	**-97,692**	**-762**	**766,079**

NOTE 10 Subordinated debt

In thousands of euros	31/12/2019	31/12/2018
Subordinated loans from the French Treasury	1,288,000	1,048,001
Related debts	9	6
TOTAL	**1,288,009**	**1,048,007**

6.2.4.2 Notes to the Income Statement

NOTE 11 Income and expenses by accounting category

In thousands of euros	31/12/2019	31/12/2018
From financial assets measured at amortised cost	**829,854**	**763,041**
Cash and demand accounts with central banks	2,943	3,916
Loans and receivables	809,635	740,268
Transactions with credit institutions	384,998	162,561
Transactions with customers	424,637	577,182
Debt securities	17,276	18,858
From financial assets measured at fair value through equity	**8,242**	**3,432**
Debt securities	8,242	3,432
From financial assets measured at fair value through profit and loss	**85,631**	**76,370**
Loans and receivables	85,631	76,370
Transactions with credit institutions	25,728	15,467
Transactions with customers	59,904	60,903
Interest accrued and due on hedging instruments	**734,267**	**643,964**
Other interest and similar income	**643**	**577**
TOTAL INTEREST INCOME	**1,658,638**	**1,487,386**
From financial liabilities measured at amortised cost	**564,916**	**484,950**
Financial liabilities valued at amortised cost	564,916	484,950
Interest accrued and due on hedging instruments	**701,979**	**654,971**
Other interest and similar expenses	**571**	**705**
TOTAL INTEREST EXPENSES	**1,267,467**	**1,140,626**

NOTE 12 Net commissions

	31/12/2019			31/12/2018		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	0	-	0	0	-	0
Monitoring and investment commissions *	189	-1,700	-1,510	60,413	-402	60,010
Analysis commissions	18,569	-	18,569	12,109	-	12,109
Commissions on grants and subsidies	113,137	-	113,137	15,488	-	15,488
Miscellaneous commissions	12,514	-766	11,748	11,959	-637	11,322
TOTAL	**144,411**	**-2,466**	**141,945**	**99,969**	**-1,039**	**98,930**

* *The 2019 commissions on grants regarding the implementation of grants have been restated in ˝commissions on grants and subsidies˝.*

NOTE 13 Gains or losses on financial instruments at fair value through profit and loss

In thousands of euros	31/12/2019			31/12/2018		
	Gains and losses on financial instruments at fair value through profit and loss: foreign currency impact	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss	Gains and losses on financial instruments at fair value through profit and loss: foreign currency impact	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss
Financial assets and liabilities at fair value through profit and loss	24,390	9,124	33,514	-22,959		-22,959
Income from financial instruments at fair value through P&L	11,259	-	11,259	7,142	-	7,142
Unrealised or realised capital gains or losses on debt securities that do not meet the SPPI criteria	8,322		8,322	21,368		21,368
Loans and hedges at fair value through profit and loss	4,809	9,124	13,933	-51,469		-51,469
Income resulting from hedge accounting	31,489	-9,674	21,815	30,345	-	30,345
Change in fair value of hedging derivatives	163,089	-9,567	153,522	341,608		341,608
Change in fair value of the hedged item	-131,600	-107	-131,707	-311,263		-311,263
Natural hedging	-25,256	20,494	-4,762	-43,901	105	-43,796
CVA/DVA/FVA	4,033	-	4,033	-987	-	-987
TOTAL	**34,656**	**19,943**	**55,150**	**-37,503**	**105**	**-37,397**

NOTE 14 Net gains or losses on other financial assets recognised at fair value through shareholders' equity

In thousands of euros	31/12/2019	31/12/2018
Dividends received on equity instruments recognised at fair value through non-recyclable shareholders' equity	21,346	14,308
Gains or losses on equity instruments recognised at fair value through non-recyclable shareholders' equity	-	-
Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss	-2,751	-2,656
NET GAINS OR LOSSES ON FINANCIAL ASSETS RECOGNISED IN EQUITY	**18,595**	**11,652**

NOTE 15 Income from other activities

In thousands of euros	31/12/2019	31/12/2018
Subsidies	220,381	199,103
Other income	17,776	35,845
TOTAL	**238,157**	**234,948**

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

NOTE 16 Overheads

Staff costs

In thousands of euros	31/12/2019	31/12/2018
Staff costs		
Wages and bonuses	190,233	172,074
Social security expenses	77,880	71,074
Profit sharing	9,817	8,417
Taxes and similar payments on remuneration	17,870	17,187
Provisions/reversal of provisions	8,612	3,983
Rebilling banks' staff	-9,491	-11,983
TOTAL	**294,922**	**260,752**

Other administrative costs

In thousands of euros	31/12/2019	31/12/2018
Other administrative expenses		
Taxes	9,017	9,652
of which application of IFRIC 21	-190	-10
Outside services	138,341	140,856
Rebilled expenses	-2,564	-1,521
TOTAL	**144,794**	**148,988**

NOTE 17 Cost of credit risk

In thousands of euros	31/12/2019	31/12/2018
Impairments on performing (Stage 1) or deteriorated (Stage 2) assets	**-52,403**	**-29,534**
Stage 1: 12-month expected credit losses	**-6,715**	**15,519**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-4,388	9,472
Signature commitments	-2,327	6,047
Stage 2: Lifetime expected credit losses	**-45,688**	**-45,053**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-8,369	-28,588
Signature commitments	-37,319	-16,465
Impairments of impaired assets (Stage 3)	**-86,728**	**-26,427**
Stage 3: Impaired assets	**-86,302**	**-29,609**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-71,965	-21,083
Signature commitments	-14,337	-8,527
Other provisions for risk	**-426**	**3,183**
Net reversals of impairments and provisions	**-139,131**	**-55,961**
Losses on bad loans and receivables not written off	-10,246	-18,305
Recovery of loans and receivables	94	9,374
Discounts on restructured loans	-540	-2,379
COST OF CREDIT RISK	**-149,823**	**-67,270**

NOTE 18 Equity-accounted companies

Impact

	31/12/2019		31/12/2018	
In thousands of euros	Balance sheet	Income	Balance sheet	Income
SIC	37,138	-5,884	43,903	-693
Socredo	109,616	4,300	106,202	5,208
TOTAL	**146,753**	**-1,584**	**150,105**	**4,515**

NOTE 19 Corporate income tax

In thousands of euros	31/12/2019	31/12/2018
Corporate tax	**-18,350**	**-13,227**
Taxes due	-10,438	-16,970
Deferred tax	-7,913	3,743

Underlying tax position

In thousands of euros	31/12/2019	31/12/2018
Net income	**182,118**	**137,600**
Corporate tax	-18,350	-13,227
Pre-tax income	**200,468**	**150,827**
Total theoretical tax expense 32.02% (A)	**-82,775**	**-82,738**
Total matching items (B)	**64,425**	**69,511**
Net recorded tax expense (A) + (B)	**-18,350**	**-13,227**

Deferred taxes have been estimated on the basis of the following assumptions:

- deferred taxes based on impairments were estimated on the basis of the following rates: 28.92% for stage 1 (rate in force in 2020) and 25.82% for stage 2 (rate in force from 2021);
- deferred taxes based on the unrealised gains or losses on loans, investments and convertible bonds were estimated on the basis of the rate of 28.92%.

NOTE 20 Financing and guarantee commitments

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

In thousands of euros	31/12/2019	31/12/2018
Commitments received		
Financing commitments received from the French State		-
Guarantee commitments received from the French State on loans	1,151,055	611,475
Guarantee commitments received from credit institutions	754,142	458,055
as part of the Group's credit activity	*754,142*	*458,055*
Commitments given		
Financing commitments made to credit institutions	1,735,164	1,204,162
Financing commitments made to customers	12,767,039	10,775,968
Guarantee commitments made to credit institutions	140,169	74,730
Guarantee commitments made to customers	584,889	522,703

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

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions. The commitment amount is lower than the figure stated in AFD's individual company financial statements because the transactions on behalf of third parties (IMF, on behalf of the French government) are not included in the Group's consolidated financial statements.

6.2.4.3 Employee benefits and other compensation

The aggregate impacts of the post-employment benefits on the 2018 and 2019 financial years are set out in the table below:

In thousands of euros	At 31/12/2019	Impact on income	Impact on equity	At 31/12/2018	Impact on income	Impact on equity	At 01/01/2018
Provisions for employee benefits	143,714	7,333	29,720	106,660	17,115	-2,020	91,565
Defined benefit plans	*142,434*	*7,157*	*29,720*	*105,558*	*16,977*	*-2,020*	*90,601*
Other long-term benefits	*1,279*	*177*		*1,102*	*139*		*964*

The sensitivity analysis, based on the actuarial assumptions used to value the defined benefit plans at year-end, is as follows:

In thousands of euros	Retirement	As a% of change
Present value of the commitment at 31/12/2019		
• Discount rate: 0.00% • Annual increase in salary: 2.00% • Retirement age: 63 (non-executive level employees)/ 65 (executive level employees)	28.2	
Sensitivity to the discount rate assumption		
Rate change to 0.25%	28.0	-0.8%
Rate change to 0.25%	28.5	1.0%
Sensitivity to the career profile assumption		
Rate change to 2.50%	28.8	2.0%
Rate change to 1.5%	27.6	-2.2%
Sensitivity to the retirement age assumption		
• increase of 1 year (for all guarantees)	28.6	1.3%
• reduction of 1 year (for all guarantees)	27.9	-1.1%

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In thousands of euros	ETRG employees healthcare expenses	as a% of change	Retiree health insurance	as a% of change	IFC	as a% of change	Service award	as a% of change
Present value of the commitment at 31/12/2019								
• Discount rate: 1.00% • Annual increase in salary: 2.00% AFD and 2.20% TOM • Retirement age: 63 (non-executive level employees)/ 65 (executive level employees)	11.8		119.3		20.2		1.3	
Sensitivity to the discount rate assumption								
Rate change to 1.5%	10.2	-13.5%	105.5	-11.6%	19.0	-6.2%	1.2	-4.2%
Rate change to 0.50%	13.7	16.5%	135.9	13.9%	21.6	6.9%	1.3	4.4%
Sensitivity to the career profile assumption								
Rate change to 2.50% AFD and 2.70% TOM	13.7	16.2%	119.3	0.0%	21.6	7.0%	1.3	0.0%
Rate change to 1.5% AFD and 1.70% TOM	10.2	-13.5%	119.3	0.0%	18.9	-6.4%	1.3	0.0%
Sensitivity to the retirement age assumption								
• increase of one year: 64 (non-executive level employees)/ 66 (executive level employees)	11.2	-4.7%	115.5	-3.2%	19.7	-2.4%	1.3	0.0%
• decrease of one year: 62 (non-executive level employees)/ 64 (executive level employees)	12.4	5.0%	123.3	3.4%	20.7	2.6%	1.3	0.0%

Projected commitments at 31 December 2019 are as follows:

Actuarial debt at 31/12/2019	**11,797**	**28,223**	**119,281**	**20,207**	**179,507**	**1,279**	**180,786**
Cost of services rendered in 2020	450	140	7,557	1,943	10,091	189	10,280
Financial cost in 2020	122	-	1,268	212	1,603	14	1,617
Services payable in 2019/transfer of capital upon departures in 2020	-65	-9,487	-2,043	-1,172	-12,767	-121	-12,888
Estimated debt at 31/12/2020	**12,305**	**18,876**	**126,064**	**21,189**	**178,434**	**1,361**	**179,795**

The changes in commitments over 2019 are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses Retirement	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Total global
Change in the present value of the commitment							
Present value of the commitment at 1 January	9,036	36,959	88,634	17,098	151,727	1,102	152,829
Financial cost	187	260	1,862	348		23	
Cost of services rendered over the year	330	168	4,484	1,438		152	
Cost of past services	0		1,838				
Reductions/Liquidations	0	0	0	0		0	
Services paid	-66	-7,513	-1,933	-1,359		-115	
Actuarial gains (losses)	2,309	-1,639	24,442	2,702		117	
Change in scope between AFD and IEDOM	0	-11	-46	-20		-1	
Present value of the commitment at 31/12/2019	**11,797**	**28,223**	**119,281**	**20,207**	**179,507**	**1,279**	**180,786**
Change in the fair value of retirement plan assets							
Fair value of assets at 1 January		46,169			46,169		46,169
Expected return on assets		323					
Services paid		-7,513					
Actuarial gains (losses)		-1,906					
Liquidations		0					
Change in scope between AFD and IEDOM							
Fair value of assets at 31/12/2019		**37,073**			**37,073**		**37,073**
Corridor limits							
Actuarial gains (losses) not recognised at 1 January	0	0	0	0	0	0	0
Corridor limits at 1 January							
Actuarial gains (losses) generated over the year	-2,309	-267	-24,442	-2,702	-29,720	-117	-29,837
Actuarial gains (losses) recognised in profit or loss	0	0	0	0	0	117	117
Actuarial gains (losses) N-1 recognised in equity	0	0	0	0	0	0	0
Actuarial gains (losses) recognised in equity this period	2,309	267	24,442	2,702	29,720	0	29,720
Actuarial gains (losses) not recognised at 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts recognised on the balance sheet at 31/12/2019							
Present value of the funded commitment		28,223					
Fair value of financed assets		-37,073			-8,851		-8,851
Present value of unfunded commitment	11,797		119,281	20,207	151,284	1,279	152,564
Net position	**11,797**	**-8,851**	**119,281**	**20,207**	**142,434**	**1,279**	**143,713**
Unrecognised actuarial gains (losses)	0	0	0	0	0	0	0
Balance sheet provision	**11,797**	**-8,851**	**119,281**	**20,207**	**142,434**	**1,279**	**143,713**

In thousands of euros	Expatriate employees healthcare expenses Retirement	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Total global
Amounts recognised on the income statement at 31/12/2019							
Cost of services rendered over the period	330	168	4,484	1,438	6,419	152	6,571
Cost of past services	0	0	1,838	0	1,838	0	1,838
Financial cost for the period	187	260	1,862	348	2,657	23	2,681
Recognised actuarial gains (losses)	0	0	0	0	0	117	117
Expected return on retirement plan assets	0	-323			-323		-323
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**517**	**104**	**8,184**	**1,785**	**10,591**	**293**	**10,884**
Reconciliation of opening and closing net liability							
Liability at 1 January	9,036	-9,211	88,634	17,098	105,557	1,102	106,660
Expenses booked	517	104	8,184	1,785	10,591	293	10,884
Contributions paid	0	0			0	0	0
Restatements and transfers	0	-11	-46	-20	-78	-1	-79
Employer contributions	-66		-1,933	-1,359	-3,357	-115	-3,472
Items not to be recycled in profit or loss	2,309	267	24,442	2,702	29,720	0	29,720
Net liabilities at 31/12/2019	**11,797**	**-8,851**	**119,281**	**20,207**	**142,434**	**1,279**	**143,713**
Change in net liabilities	**2,761**	**360**	**30,647**	**3,109**	**36,876**	**177**	**37,053**

6.2.5 Risk Information

The role of the Executive Risk Department (DXR) is to analyse, inform and advise executive officers (Senior Management) on the risks to which the Group companies are exposed. It is involved in the implementation of risk policies and procedures and systems to measure, control, analyse and monitor these risks. It ensures that the Group's activities and the inherent risks, are in line with the risk management objectives, company policy and regulatory requirements.

This department combines:

- the Second Opinion Unit, which provides a second opinion on projects which are being appraised, in accordance with Article 112 of the Order of 3 November 2014;
- the Compliance Department (DCO);
- the Operational Risk and Permanent Control Department (ROC);
- the Group Risk Management Department (DRG).

6.2.5.1 Credit risk

Risk measurement and monitoring

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

Operating as part of the DRG, **the Credit Risk Evaluation Division** (DRC) is responsible for:

- validating the credit risk due diligence carried out by the Executive Operations Department, rating non-sovereign counterparties, determining the reporting groups and assessing the financial structure of the operations during the project appraisal cycle;
- implementing the follow-up right beyond the bodies, when this right is requested by the Second Opinion unit, and reviewing the updated credit risk before agreements are signed and in the event of requests for waivers and riders;
- yearly reviews of AFD's non-sovereign credit risks, monitoring of borrowers on the watchlist and appraising individual impairments;
- developing tools, methods and training materials to evaluate credit risks, mainly for use by the operating departments.

The **Risk Monitoring Division** (DSR):

- monitors credit risk, mainly by ensuring the Risk Measurement Forms are updated each half-year and keeping track of operational and regulatory limits;
- evaluates the collective provisions, monitors the cost of risk and ensures the application of the recovery and penalty procedures;
- monitors the risk of the companies of the AFD Group;
- compiles the Group's risk projections (portfolio, risk level and stress-tests);

- conducts loss ratio studies, for the purpose of analysis, collective provision allocation and determines the risk margins;
- has the secretariat role for the Risk Committee;
- reports to the executive officers on discussions about the risk situation, in collaboration with the other units responsible for monitoring Group risks;
- develops risk management tools, methods and training materials.

The **Second Opinion Unit**, which reports to the Executive Risk Director, performs the regulatory function of expressing a "second opinion" on financial transactions in the form of loans (sovereign and non-sovereign), guarantees or equity investments recorded on AFD's balance sheet. This unit participates in project cycle committees (Identification Committees and Credit Committees for AFD, Project Committees for Proparco). It expresses an independent opinion on projects submitted to the decision-making bodies regarding the various types of risk (credit, operational, reputation, etc.) based on the analyses produced by AFD's project teams and other departments involved in the appraisal (environmental and social analysis, macroeconomic analysis, credit analysis, compliance, etc.). For non-sovereign risks, the Second Opinion Unit works closely with the analysts in the Credit Risk Evaluation Division who have expertise in credit risk rating and financial structuring. Before each Credit Committee meeting, a preparatory meeting led by the Executive Risk Director is held to ensure a concerted risk position in committees.

The **Economic Assessment and Public Policy Department** (ECO), which reports to the Innovation, Research and Knowledge Executive Department, measures the country risks (growth, stability of the financial system, public finances, external balances and socio-political situation) and credit risks of sovereign counterparties in regions where the Group operates (analysis of the structure and level of public debt, budget implementation, payment history and structural solvency indicators, etc.).

Every six months, the **Country and Sovereign Risk Committee** (CORIS Pays) examines changes in the international financial and economic climate and in macroeconomic risks in countries where AFD operates, in addition to credit risks reported by agents of the Economic Assessment and Public Policy Department. It validates the classification of country risk and sovereign risk.

Each quarter, the **Counterparty Risk Committee** (CORIS Contreparties) examines the Group's exposure in terms of the system of operational and regulatory thresholds, the Group's major sovereign and non-sovereign risks, the borrowers on the watchlist, application of the recovery and penalty procedures, the quality of the portfolios, the impairments/provisions and cost of risk and the activity of the subsidiaries.

The Risk Committees are chaired by the Executive Risk Director. Their permanent members include Senior Management, the Executive Operations Director, the Executive Finance Director, the Head of Risk Management at Proparco, the Director of the Group Risk Management Department and the Head of the Second Opinion Unit.

The Group Risk Committee meets at least quarterly after the Counterparty Risk Committee meetings. Its role is to conduct a regular review of the strategies, policies, procedures, systems, tools, risk positions (notably credit risk) and thresholds, to notify the Board of Directors of its conclusions and to advise the latter on the Group's global risk strategy.

System of operational limits

The system of operational limits applies to guarantees, equity investments and loans that are not guaranteed by the French government, excluding products subsidised by the government (e.g. micro-finance facility or ARIZ Prime). It consolidates the exposures of AFD, Proparco and Fisea.

AFD's limit system consists of three levels:

- regulatory limits common to all credit institutions;
- internal limits;
- monitoring indicators, which do not have the status of "limits", but are intended to provide alerts regarding the level of exposure.

This system is reviewed annually at the time of the review of the Agency's risk appetite framework and through the review of the system of operational limits.

It is broken down into two main areas:

- limits and alert thresholds regarding sovereign activity, by region (see table 1);
- limits regarding non-sovereign activity, by region (see table 2), sector and counterparty.

Two preventive alert thresholds are also set to notify the governance bodies of a risk of breach (large exposures and limits for non-sovereign). In 2019, eight regions were the subject of an information memorandum from DXR regarding the risk of breach of the preventive alert and tolerance threshold for the large exposure limit.

Table 1: Summary of AFD's limits and alert indicators for large exposures (sovereign + related)

Unless otherwise indicated, the percentages apply to large exposure capital (FPGR).

	Limit system		
	Regulatory requirements	**Internal requirements**	**Alert system**
Type of exposure/Outstandings considered	Authorised exposure	Authorised exposure	Authorised and **unauthorised exposure and new approvals**
"Large exposure" limit**	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	23% or 24%* of exposure	23% or 24%* -> an alert is given to the BoD 21% -> an alert is given to the Executive Committee

* *if all exposures are euro-denominated.*
** *with the first public NS group attached to the central government.*

Table 2: Summary of AFD's limits and alert indicators for non-sovereign activity

		Limit system		
		Regulatory requirements	**Internal requirements**	**Alert system**
Type of exposure/Outstandings considered		Authorised exposure	Authorised exposure	Authorised and **unauthorised exposure and new approvals**
Monitoring of non-sovereign activity	**Regional limits*****		30% of FPGR	30% of exposure -> an alert is given to the BoD 25% of exposure -> an alert is given to the Executive Committee
	Limit by counterparty (and counterparty group)	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	8% of weighted risk for an individual counterparty 12% for a counterparty group, calculated based on FPGR	
Monitoring of overall activity by region			15% of sovereign and non-sovereign expo. to gross risk	

*** *without the 1st public NS group attached to the central government*

Within the Executive Risk Department (DXR), the Risk Monitoring (DSR) division is responsible for monitoring credit risk and limits for the AFD Group. To this end, the dedicated Group Risk Monitoring and Reporting (SRG) division creates the database that is used to calculate the large exposures reported quarterly and to monitor the limits set by the Board of Directors. SRG is responsible for preparing the pre-approval box that is inserted for each exposure into the memoranda submitted to AFD's decision-making bodies, thereby ensuring continuous monitoring of large exposures and credit limits. Compliance with limit and large exposure thresholds is also reviewed quarterly by the Counterparty Risk Committee (CORIS), of which Senior Management is a permanent member, and every six months by the Group Risk Committee.

Large exposure limit

The "large exposure" regulatory limit defines the aggregate maximum authorised exposure to third parties or groups of connected third parties as 25% of eligible capital. Based on consolidated capital of €7,466M at 31 December 2019, the regulatory limit for large exposures is €1,866M. The default internal limit is 23% (€1,717M). If all exposures are euro-denominated, the internal limit increases to 24% (€1,792M).

Large exposures correspond to authorised exposures exceeding 10% of capital. The list at 31 December 2019 includes exposures on (i) 17 central governments (with related public entities, where applicable) and (ii) two banks based in France. The security of large exposure report production is ensured through close monitoring of approvals and unauthorised exposures. Special attention is also given to controls of groups of related customers.

Non-sovereign limits

- Regional limits:

  Non-sovereign regional limits are presented for all foreign countries in the portfolio. Their exposure is calculated as non-weighted risk for greater transparency. In addition, these regional limits are presented in two ways: with undisbursed balance and without undisbursed balance.

  The regional ceiling on non-sovereign risks (only applicable in foreign countries) is set at 30% of large exposure capital (i.e. €2,240M).
- Unknown third party limit

  Unknown third party exposure mainly consists of UCITS. The internal limit is set at 23%.
- Sector limit:

  The overall limit for credit institutions is 50% of the total non-sovereign risks for foreign countries. It was 48.38% at the end of December 2019.
- Limits per group of connected counterparties and per counterparty:

  The non-sovereign limit per group of connected counterparties is risk-weighted (according to the type of instrument and the counterparty's listing) with a ceiling of 12% of the FPGR (i.e. €896M). The single counterparty limit is also risk-weighted with a ceiling of 8% of the FPGR (€597M).

Monitoring the risks of sovereign counterparties

The French government covers arrears and loan write-offs in the sovereign activity through its reserve account which, at the end of 2019, had a balance of €805M, i.e. 4.7% of sovereign outstandings (latest agreement signed on 8 June 2015).

The local offices take the following reminder and penalty measures within the maximum periods from the due date of the loan (or of notification of the government's call of the guarantee for guaranteed loans) indicated below:

- as soon as the non-payment is detected, the office suspends payments on the loan in question and gives an initial informal reminder (telephone call, letter, visit, etc.);
- D+30: formal letter to the counterparty considered formal notice;
- D+60 (level-one penalties):
  - suspension of any further decision to grant assistance to the government in default,
  - suspension of formalisation of financial assistance granted to the government which is not yet authorised,
  - suspension of authorisation of contracts for which loans already in force are earmarked;
- D+90 (level-two penalty):
  - suspension of payments relating to financial assistance already deployed, excluding payment for work or services which are shown to have been completed and invoiced before the date of the level-two penalty.

AFD may ask the Secretariat of Paris Club to send a reminder letter.

The official bilateral creditors who are members of the Paris Club submit their arrears on their sovereign debt for review at the monthly review meetings known as the *Tour d'horizon*. AFD takes part in these meetings under the guise of the French Ministry of Finance. Where applicable, the Paris Club can grant debtor countries restructuring arrangements or write off their debt. The restructuring arrangements may affect AFD debts. The financial impact of these arrangements on AFD is absorbed by the French Treasury.

For the principal amount, AFD writes down 100% of principal in arrears. These allocations are set up based on the deduction from the reserve account.

For the interest amount, interest in arrears (excluding INN) and interest accrued not yet due (excluding INN) are fully written down. INN in arrears is not written down. It is covered by the reserve account.

Monitoring the risks of non-sovereign counterparties

Within the Operations Department, the Portfolio Management and Specialised Support Department provides financial monitoring through (i) the Portfolio Management and Quality Division, which monitors non-sovereign loans from the first payment (monitoring the financial commitments of counterparties, or "covenants", monitoring recovery and management of waivers, amendments and restructuring) and (ii) the Counterparty Regulatory Knowledge Division, which is responsible for the quarterly updating of permanent credit files.

The risk assessment sheets, which contain the categories for the different rating methods, are updated each year (annually for local authorities) by the local offices (or the operational departments at Headquarters for multi-country risks).

The exercise consists of the following stages:

- collection and control of qualitative and financial data (accounting documentation, latest available company accounts, qualitative assessment of the borrower and/or the beneficiary and the exposure situation);
- visit and interview with the counterparty;
- preparation of the evaluation grid and spreadsheets for analysis and calculation of financial and prudential ratios;
- proposal for an intrinsic rating accompanied by a reasoned assessment report and any shareholder support which, automatically cross-referenced with the country risk, generate a credit rating in the risk assessment sheet.

The investment officers within the Portfolio Management and Quality Division perform first-level checks. Credit analysts in the Credit Risk Assessment Division perform second-level checks and validate credit ratings. Third parties that are more than 90 days past due (180 days for local authorities in French Overseas Departments and Collectivities) or that pose a known credit risk (CCC credit rating) are downgraded to "doubtful" and impairments of the corresponding exposures are estimated, taking into account the associated guarantees.

The risk assessment sheets are updated independently of the six-monthly review cycles in the event of a new appraisal, the signing of a new loan agreement[1] or a major event which affects the quality of the borrower.

The downgrading to doubtful or reclassification as performing and the recoverability rates of doubtful debts are reviewed each quarter by the Counterparty Risk Committee before closing the accounts. The level of individual provisions for doubtful loans is revised quarterly at the Counterparty Risk Committee meeting. Collective provisions for performing loans and ARIZ sub-participations are also estimated each quarter based on risk parameters and management rules in accordance with IFRS 9. This standard has been applied since 1 January 2018 based on a methodology approved by the statutory auditors.

Borrowers with a high credit risk, because of their size or likelihood of default (especially all doubtful third parties) are included on a watchlist and monitored particularly closely. The watchlist, which summarises the key information relating to these third parties (outstandings, undisbursed balances, arrears, credit rating, current situation, etc.), is composed of three compartments: borrowers subject only to monitoring, restructured borrowers and pre-litigation or litigation cases. It identifies counterparties in financial difficulty who have benefited from a forborne exposure.

The watchlist is updated each quarter by the Group Risk Management Department and sent to the Counterparty Risk Committee, which reviews the current situation of all cases, decides which counterparties should be added to, or removed from, the list, can set up legal monitoring for some cases and can authorise dispensation from the recovery procedures. The criteria for inclusion on the watchlist were defined at the Risk Committee meeting of March 2019:

- borrowers subject only to monitoring;
- restructured and doubtful loans;
- pre-litigation cases, from the date of acceleration of payment, and cases in litigation from the start of a legal proceeding.

The inclusion of a third party on a watchlist is proposed to the Risk Committee based on the following criteria applied since 1 July 2019:

- level-1 watchlist inclusion criteria:
  - qualitative criterion with expert appraisal: significant adverse event impacting the borrower's credit quality,
  - quantitative (automatic) criteria based on risk exposure thresholds, during the period of arrears, and on significant deterioration in the score observed over a 24-month period and a very low rating,
  - restructuring criteria: counterparties that have been restructured with regular resumption of repayments of principal must be added to the level-1 watchlist for a 24-month probationary period;
- level-2 watchlist inclusion criteria:
  - counterparties classified as doubtful for accounting purposes (unless if already in level 3),
  - counterparties with restructured loans (unless if already in level 3),
  - counterparties monitored by special business teams of other financial partners;
- level-3 watchlist inclusion criteria:
  - notification of acceleration of payment,
  - anticipation/initiation of a legal proceeding,
  - anticipation/initiation of insolvency proceedings (amicable or collective).

Removal from the watchlist is proposed to the Risk Committee based on the following criteria:

- resolution of the criteria that resulted in inclusion on the watchlist and any new criteria observed during monitoring:
  - if arrears criterion: payment of arrears and non-occurrence of new arrears for two consecutive due dates,
  - if rating criterion: removal from doubtful debts and/or stability or improvement in the credit rating over the last 24 months,
  - if restructuring criterion: end of the 24-month probationary period;
- renewed compliance with contractual commitments;
- management of the impacts of the significant unfavourable events that led to monitoring or continued monitoring;
- compliance with the removal criteria alone does not automatically result in removal, which is subject to an expert appraisal.

Classification of outstandings according to the different stages of deterioration

In accordance with IFRS, AFD has developed a collective provisioning mechanism for performing loans. The level of impairment is determined for each contract, based on changes in credit risk since approval. At the reporting date, each contract is assigned to a risk category depending on whether or not it has recorded a significant deterioration in credit risk since its initial recognition.

Each instrument is classified according to the following risk stages:

- stage 1: this category includes the performing (non-impaired) loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost of third parties which do not meet any of the criteria for significant impairment (stage 2) or default (stage 3) set out below, and

(1) A rating is valid for 18 months from the date of approval of the certified financial statements used to determine the rating.

- debt securities recognised at fair value through equity to be included in profit and loss in the future or at amortised cost which do not meet any of the significant impairment criteria of stages 2 or 3. Under IFRS, the low credit risk (LCR) exemption applies to some of these securities and those with a rating above BBB- will therefore be classified in stage 1;

- stage 2: this category includes the impaired performing loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost which have suffered a significant deterioration in their credit risk since inception,
  - exposures related to ARIZ guarantees, and
  - debt securities recognised at fair value through equity to be included in profit and loss in the future or at amortised cost which have suffered a significant deterioration in their credit risk since inception. Those to which the LCR exemption applies and those with a rating below BB+ will also be classified in stage 2.

  This significant deterioration in risk is demonstrated by at least one of the following criteria being met:
  - downgrading of the counterparty's internal rating between the state at inception of the contract and the current state,
  - placement of the counterparty under supervision,
  - 30 days past due;
- stage 3: this category includes doubtful outstandings, i.e. outstandings (balance sheet and off-balance sheet) of third parties with:
  - significant arrears over 90 days (180 days for local authorities); significant arrears are determined on the basis of significance thresholds,
  - proven credit risk,
  - a restructured ("forborne") credit which is more than 30 days past due and/or a second forbearance during the probation period.

The doubtful nature is applied to all exposures to the third party concerned, according to the contagion principle.

The model used to estimate credit losses varies depending on the stage to which the outstanding amount relates and the type of outstanding amount involved.

Estimates of impairments and provisions

Impairment and provisions are calculated for non-sovereign loans issued by AFD, debt securities, financial guarantees and undisbursed balances that have been authorised (by identifying a conversion factor and estimating early repayment).

For exposures in stage 1, provisions are based on the calculation of the 12-month expected credit loss, which takes into account the probability of default (which varies according to the credit rating, country risk, type of counterparty and residual term), loss given default (which depends on the type of instrument and associated guarantees) and exposure at default (which varies according to the residual term and conversion factor for off-balance sheet exposures). AFD includes forward-looking elements in the internal rating process through the use of the provisional budget or country risk. If need be, this is supplemented by an expert appraisal.

For loans in stages 2 and 3, individual impairments or provisions are determined using the same calculation methodology, but based on a calculation at maturity (instead of after one year).

Maximum credit risk exposure

In total, the gross value of consolidated outstandings exposing the Group to risk (excluding non-sovereign doubtful debts) amounted to €32.5bn at 31 December 2019 (compared with €31.2bn at 31 December 2018), including €27.3bn in foreign countries and €5.2bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€30.6bn, i.e. 91% of outstandings).

The AFD Group's doubtful outstandings totalled €1.3bn at 31 December 2019, including €100M in sovereign doubtful outstandings and €1.2bn in non-sovereign doubtful outstandings.

Non-sovereign doubtful outstandings are covered by impairments and provisions totalling €0.7bn, equivalent to a coverage ratio of 54.2%.

Breakdown of outstanding loans (gross value) by rating (excluding loans reimbursed and guaranteed by the State

In thousands of euros		31/12/2018	31/12/2019	2019 breakdown (%)
Sovereign loans		**16,254**	**17,251**	
Investment grade	RC1	664	671	4%
	RC2	5,765	5,200	30%
Speculative grade	RC3	3,149	3,519	20%
	RC4	5,987	7,125	41%
	RC5	222	435	3%
Countries subject to AFD's system of penalties or classed as in distress	RC6	469	301	2%

In thousands of euros		31/12/2018	31/12/2019	2019 breakdown (%)
Non-sovereign loans		**15,911**	**16,379**	
Investment grade	AAA	200	300	2%
	AA+	9	13	0%
	AA-	208	176	1%
	A+	0	200	1%
	A	236	86	1%
	A-	664	555	3%
	BBB+	695	761	5%
	BBB	1,545	1,932	12%
	BBB-	3,031	2,125	13%
Speculative grade	BB+	1,821	2,323	14%
	BB	1,370	1,126	7%
	BB-	2,462	2,293	14%
	B+	974	1,014	6%
	B	1,009	1,437	9%
	B-	754	920	6%
Doubtful	CCC	340	673	4%
	D	179	74	0%
	D-	378	338	2%
	nk	36	32	0%

Age of arrears

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

In thousands of euros	31/12/2019
Less than 90 days	34,465
More than or equal to 90 days and less than 180 days	4,597
More than or equal to 180 days and less than 1 year	18,530
More than 1 year	333,166
	390,758

Concentration of credit risk

Financial assets at amortised cost

In thousands of euros	Performing assets Bucket 1	Performing assets Bucket 2	Doubtful assets Bucket 3 Strate 3	Financial assets impaired at acquisition or creation	Total
Book value					
Investment grade (AAA to BBB-)	5,897,930	316,030		5,055	6,213,960
BB+ to BB-	3,097,565	2,677,303		29,057	5,774,868
B+	819,693	209,428		108	1,029,121
B	719,306	748,967		6,314	1,468,273
B-	88,379	877,143		185,024	965,522
CCC to D-			1,199,279	121,934	1,199,279
Total at 31 December 2019	**10,622,874**	**4,828,871**	**1,199,279**	**347,492**	**16,651,024**
Investment grade (AAA to BBB-)	5,859,261	317,889	-	1,418	6,177,149
BB+ to BB-	2,937,888	2,517,887	-	74,809	5,455,775
B+	570,361	265,605	-	-	835,966
B	369,993	557,602	-	-	927,595
B-	17,470	593,302	-	-	610,772
CCC to D-	-	-	761,618	-	761,618
TOTAL AT 31 DECEMBER 2018	**9,754,971**	**4,252,285**	**761,618**	**76,227**	**14,768,875**

Financial liabilities at fair value through equity to be included in profit and loss in the future

In thousands of euros	Performing assets Bucket 1	Performing assets Bucket 2	Doubtful assets Bucket 3	Financial commitments impaired from their acquisition or creation	Total
Book value					
Investment grade (AAA to BBB-)	1,861,250				1,861,250
BB+ to BB-					
B+					
B					
B-					
CCC to D-					
Total at 31 December 2019					
Investment grade (AAA to BBB-)	1,830,814				1,830,814
BB+ to BB-					
B+					
B					
B-					
CCC to D-					
TOTAL AT 31 DECEMBER 2018	**1,830,814**				**1,830,814**

Financing commitments

In thousands of euros	Performing commitments Bucket 1	Performing commitments Bucket 2	Doubtful commitments Stage 3 Strate 3	Financial commitments impaired from their acquisition or creation	Total
Amount of commitment					
Investment grade (AAA to BBB-)	1,035,623	8,070		6,722	1,043,693
BB+ to BB-	1,279,990	280,109		97,500	1,560,099
B+	147,028	66,680		60,000	213,708
B	355,758	208,380		30,746	564,138
B-	47,936	285,998		100,193	333,934
CCC to D-			93,883	9,652	93,883
Total at 31 December 2019	**2,866,335**	**849,237**	**93,883**	**304,813**	**3,809,455**
Investment grade (AAA to BBB-)	947,205	20,289	-	289	967,494
BB+ to BB-	869,639	282,154	-	15,171	1,151,793
B+	141,802	19,374	-	-	161,177
B	421,877	213,325	-	-	635,203
B-	-	256,594	-	4,347	256,594
CCC to D-	-	-	25,184	-	25,184
TOTAL AT 31 DECEMBER 2018	**2,380,523**	**791,737**	**25,184**	**19,808**	**3,197,444**

Guarantee commitments

In thousands of euros	Performing commitments Bucket 1	Performing commitments Bucket 2	Doubtful commitments Stage 3 Strate 3	Financial commitments impaired from their acquisition or creation	Total
Amount of commitment					
Investment grade (AAA to BBB-)	55,615	1,031		1,031	56,646
BB+ to BB-	11,614	463,875		178,431	475,489
B+					-
B	54,277	76,924		60,105	131,201
B-					-
CCC to D-			36,807	1,084	36,807
Total at 31 December 2019	**121,506**	**541,830**	**36,807**	**240,650**	**700,143**
Investment grade (AAA to BBB-)	63,973	-	-	-	63,973
BB+ to BB-	11,070	380,482	-	87,974	391,552
B+	-	-	-	-	-
B	76,806	-	-	-	76,806
B-	-	-	-	-	-
CCC to D-	-	-	31,999	-	31,999
TOTAL AT 31 DECEMBER 2018	**151,850**	**380,482**	**31,999**	**87,974**	**564,330**

Credit risk exposure: change in book values and value adjustments for losses over the period

Value adjustments for losses correspond to impairment on assets and provisions on off-balance sheet commitments recognised in net income ("Cost of risk") in respect of the credit risk.

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

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

In thousands of euros	Performing assets Stage 1	Performing assets Stage 2	Doubtful assets Stage 3	Total
At 1 January 2019	2,784	50,720	34,021	87,524
Change in impairments of loans at amortised cost to credit institutions				
New loans: purchased, granted, originated	476,034	87,559	3	563,597
Change in the credit risk parameters over the period	-471,933	-87,231	-34,024	-593,188
Total change in impairments	**-471,933**	**-87,231**	**-34,024**	**-593,188**
AT 31 DECEMBER 2019	**6,885**	**51,049**	**-**	**57,933**

Assets at amortised cost: Loans and receivables due from customers

In thousands of euros	Performing assets Stage 1	Performing assets Stage 2	Doubtful assets Stage 3	Total
At 1 January 2019	3,447	131,470	441,208	576,125
Change in impairments of loans at amortised cost to customers				
New loans: purchased, granted, originated	595,894	93,452	7,730	697,076
Change in the credit risk parameters over the period	-594,140	-70,660	-448,938	-1,113,738
Total change in impairments	**-594,140**	**-70,660**	**-448,938**	**-1,113,738**
AT 31 DECEMBER 2019	**5,200**	**154,262**	**-**	**159,462**

Financing and guarantee commitments

In thousands of euros	Performing assets Stage 1	Performing assets Stage 2	Doubtful assets Stage 3	Total
At 1 January 2019	2,065	84,974	8,527	95,566
Change in impairment of financing and guarantee				
New loans: purchased, granted, originated	32,202	239,567	1,083.91	272,852
Change in the credit risk parameters over the period	-33,968	-308,739	-9,611	-352,318
Total change in impairments	**-33,968**	**-308,739**	**-9,611**	**-352,318**
AT 31 DECEMBER 2019	**299**	**15,801**	**-**	**16,100**

6.2.5.2 Liquidity risk

The notion of liquidity refers to the company's ability to finance new assets and meet obligations as they mature. Liquidity must enable the Group to meet its commitments, including under adverse circumstances (crisis, financial market tensions, etc.). The AFD Group, including its Proparco subsidiary, does not receive deposits or repayable funds from the public. Its financing model is mainly based on medium- and long-term market borrowings; liquidity is given high priority in light of the Group's performance target, which entails controlling the financing cost and minimising the cost of carry. This model reflects the Agency's aversion to refinancing risk and liquidity risk, which are monitored as part of asset and liability management for both AFD and Proparco.

The Group's risk appetite framework primarily uses two indicators to monitor liquidity risk:

- the standard liquidity indicator, which enables the Group to measure the time horizon over which it will be able to meet its commitments without raising new resources. The target value of this indicator is between 9 and 12 months;
- the stressed liquidity coverage ratio, which is the regulatory LCR, to which AFD is no longer strictly subject, with a methodology adapted to AFD's activity regarding liquidity outflows. The target value of this indicator is 110%.

AFD has a Euro Medium Term Notes (EMTN) programme for not more than €40bn enabling it to complete financing transactions with fewer financial disclosure requirements. Short-term liquidity risk prevention relies on a programme of short term Negotiable European Commercial Papers ("NEU CPs") amounting to €4bn. There is also a €2bn programme of Negotiable European Medium-Term Notes ("NEU MTNs").

AFD also has a portfolio of high quality bonds, which constitutes a liquidity reserve that can be mobilised through market repurchase agreements. The notional amount outstanding of these portfolios amounted to €1.720bn at 31 December 2019.

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 statement of financial assets and liabilities by contractual maturity presents the maturity of financial liabilities at 31 December 2019.

Contractual term to maturity	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Book value
Liabilities					
Financial liabilities at fair value through profit or loss	756	6,040	95,661	257,241	359,698
Hedging derivatives (liabilities)	1,061	3,892	140,431	1,340,734	1,486,117
Financial liabilities valued at amortised cost	2,009,471	2,781,387	15,046,549	15,943,473	35,780,880

6.2.5.3 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 2019, an upward shock to interest rates of +100bps would have a negative impact in economic value of -€10.3M in 2020 (+€10.4M for a -100 bp decrease).

Fair value hedging modifies the risk induced by the changes in fair value of a fixed-rate instrument caused by changes in interest rates. This hedging transforms fixed-rate assets and liabilities into variable-rate items. Fair value hedging notably includes the hedging of loans, securities, deposits and debts.

In practice, the resources raised by AFD (fixed-rate bond issues) are not immediately "allocated" to the refinancing of loan transactions as part of the Resources with Ordinary Conditions regime. The resources raised initially increase the volume of AFD's cash invested at variable rates. In order to eliminate interest rate risk, at the same time as the bond issue is raised, AFD sets up an issue swap that makes the debt service variable over the total period of the loan.

It is only when the loans are effectively disbursed on an adjustable basis that the loans are allocated, for AFD's balance sheet management requirements and for an amount corresponding to the outstanding capital for the loan issued in resources with ordinary conditions.

AFD breaks down the outstanding loans in resources with ordinary conditions by quarterly maturity band and based on their contractual term.

In order to set the subsidy paid by the French state, AFD "resets" the resource when disbursing the loans through a "fixed rate / adjustable rate" swap . The notional value of the swap is, therefore, a function of the outstanding principal not past due in resources with ordinary conditions. As it is allocated to a set of loans (resources with ordinary conditions) and not singly, this transaction is qualified as "macro-hedging".

6.2.5.4 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 the French Banking and Financial Regulations Committee (CRBF) Regulation No. 95-02 on capital adequacy with regard to the market.

Foreign exchange risk can be measured by analysing sensitivity: if foreign currencies appreciate against the euro by 10%, this has an estimated impact on income of +€8.5M (-€8.5M for a 10% decrease), the sensitivity to exchange rates mainly originating from the dollar.

For information, the AFD Group applies an internal limit approved by the Board of Directors on 11 July 2019: individual currency exposure may not exceed 1.5% of the three-month average of regulatory capital, while aggregated exposure must remain below 3%. This internal policy keeps foreign exchange risk to a minimum (excluding ownership interests, provisions and arrears).

6.2.5.5 Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2019.

6.2.6 Additional information

6.2.6.1 Investments in managed funds

AFD has interests in 17 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 equity stakes	Purchase price
Caisse d'investissement des DOM (Cidom)	2	1,330
Fonds d'investissement & de développement économique et social (Fides)	5	642
Fonds d'investissement des DOM (Fidom)	6	236
Other State resources	4	7,592
TOTAL	**17**	**9,800**

6.2.6.2 IMF balance sheet

In thousands of euros	31/12/2019	31/12/2018
Assets		
Loans and receivables due from credit institutions	734,217	1,434,536
Demand	*393,395*	*815,320*
Term	*340,822*	*619,216*
Accruals	23,715	52,496
TOTAL ASSETS	**757,933**	**1,487,032**
Liabilities		
Debt securities in issue	*755,090*	*1,481,064*
Bonds	*734,000*	*1,434,000*
Of which accrued interest	*21,090*	*47,064*
Accruals and other miscellaneous liabilities	2,843	5,969
TOTAL LIABILITIES	**757,933**	**1,487,032**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French government.

With the exception of management fees totalling €0.2M, the IMF loans have no impact on the AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

6.2.6.3 Transactions between related parties

	31/12/2019		31/12/2018	
In thousands of euros	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	346,072		394,312	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**346,072**	**-**	**394,312**	**-**
Debts		346,072		394,312
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES WITH RELATED ENTITIES	**-**	**346,072**	**-**	**394,312**
Related interest, income and expenses	11,261	-11,261	11,075	-11,075
Commissions				
TOTAL NBI GENERATED WITH RELATED ENTITIES	**11,261**	**-11,261**	**11,075**	**-11,075**

6.2.6.4 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 No. 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 No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

At 31 December 2019, the AFD Group did not have any offices in non-cooperative countries or territories.

6.2.6.5 Statutory auditors' fees at 31 December 2019

In compliance with Decree No. 2008-1487 of 30 December 2008, the table below shows the fees paid in 2019 to the AFD Group's statutory auditors. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – FY 2019 (€)	KPMG	Mazars	Total
AFD	187,750	187,750	375,500
Proparco	71,500	71,500	143,000
Soderag	15,000		15,000
Sogefom	23,000		23,000
Fisea	13,350		13,350
Propasia		7,000	7,000
TOTAL	**310,600**	**266,250**	**576,850**

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2019 amounted to €35,130.

SAC fees excluding tax – FY 2019 (€)	KPMG	Mazars	Total
TOTAL	**322,397**	**3,665**	**326,062**

6.2.6.6 Significant events since 31 December 2019

The spread of the Coronavirus pandemic (COVID-19) has led AFD to adopt safety measures in France and in our offices to comply with the recommendations of the World Health Organization and health authorities. This health crisis has no impact on AFD's consolidated financial statements at 31 December 2019.

No other significant events took place after 31 December 2019.

6.3 Auditors' report on the consolidated financial statements

This is a translation into English of the auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This auditors' report includes information required by European regulation and French law, such as information about the appointment of the auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2019

To the board of directors of Agence Française de Développement,

Opinion

In compliance with the engagement entrusted to us by your board of directors, we have audited the accompanying consolidated financial statements of Agence Française de Développement for the year ended December 31, 2019. These financial statements have been approved by the Chief Executive Officer on February 26, 2020 based on available information at that date, regarding the evolving context of Covid-19's sanitary crisis.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 consisting of the persons and entities included in the consolidation and of the results of its operations for the year then ended in accordance with IFRS accounting principles as adopted in the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for auditors.

Observation

Without qualifying our opinion, we draw your attention to the matter set out in notes 1.1.4, 2 and 3.3-note 7 of the Appendix to the consolidated financial statements regarding the impacts of the first application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over income tax treatment".

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the aforementioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Identification and assessment of credit risk

RISKS IDENTIFIED

The Agence Française de Développement Group is exposed to credit and counterparty risks.

These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD or its subsidiaries (especially PROPARCO S.A.).

Your Group is booking impairments to cover those risks on non-sovereign loans. These are estimated as follows:

- since 1 January 2018, the impairment calculation for performing and nonperforming non-sovereign exposure has been based on an anticipated loss model which, in addition to the outstandings, now takes into account the performing commitments signed and the undisbursed balances of the corresponding loans. This method is based on classification into different categories (also referred to as Stages) depending on changes in their credit risk since the outset:
  - stage 1: performing loans for which the counterparty risk has not increased since they were granted. The impairment calculation is based on expected losses within the following 12 months;
  - stage 2: performing and non-performing loans for which a significant increase in credit risk has been observed since their initial recognition. The impairment/provision calculation is statistically based on expected losses on maturity;
- AFD Group also calculates impairment on exposures in default. These are calculated individually and are the difference between the book value of the exposure with an established credit risk and the discounted value of future cash flows the group thinks will be recoverable on maturity after the effects of guarantees coming into play. Known as "Stage 3" impairment, these are calculated individually based on assumptions such as the counterparty's financial position, the country risk associated with the counterparty, the valuation of any guarantees and expected future cash flows.

We are of the opinion that the credit risk assessment and the impairment/provisions calculation are a key component of the audit because they require Senior Management to exercise its judgment when making the assumptions and classifying the exposure.

As a result, there is a risk that the bases for each tier identified by the Group are not exhaustive and the impairment/provisions created do not adequately cover the credit risk of the portfolio.

As at December 31, 2019, AFD Group consolidated financial statements include €919 million in total for impairment of assets and provisions for liabilities as indicated in Notes 3.2.3, 3.3.1, note 5.2, note 9, and 3.3.2 note 17 to the consolidated financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

To assess the reasonableness of the provisions booked, we:

- reviewed provision evaluation process and the internal control procedures governing them;
- reviewed the governance of the provisioning processes;
- verified the consistency of data between the risk management with the accounting data;
- assessed the consistency of changes in provisions, receivables and cost of risk.

When the provision was calculated on a collective basis (Stage 1 and Stage 2), we put in place the following substantive procedures:

- checking the bases are exhaustive and the classification rules have been correctly applied;
- checking the consistency of the parameters applied in the calculation method and checking that any update is in line with the methodology principles validated;
- verification of the arithmetical accuracy of the calculations made.

When the provision was determined on an individual basis, our work consisted of:

- testing the underlying assumptions and data used by Management to estimate impairments using credit file samples;
- verifying the correct implementation of the decisions made during Risk Committee meetings.
- ensuring that the downgrading rules for outstandings were not changed compared to the previous financial year.

We also made sure that the downgrading rules for doubtful receivables were not changed compared to the previous year and were correctly applied throughout the financial year.

Valuation of financial assets at fair value of level 3

RISKS IDENTIFIED

The AFD Group holds financial assets at fair value as detailed in Notes 3.2.3, 3.4.1 - note 1, note 3 and note 4 to the consolidated financial statements. Changes in fair value from one statement to the next are recognized either through profit or loss or through equity depending on the IFRS 9 accounting classification used.

Due to the limited availability of market data, the valuation of level 3 financial instruments requires the exercise of judgment by management for the selection of the valuation method and parameters to be used.

We considered the valuation of financial assets at fair value of level 3 to be a key audit matter, given:

- the significant impact from the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the significant amounts in the financial statements.

As at December, 31, 2019, the fair value of financial assets at fair value of level 3 is € 3004 million as indicated in Note 4 to the consolidated financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

In this context, our work consisted of:

For the portfolio of equity securities (direct investments and stakes in investment funds):

- updating our knowledge and then testing the effectiveness of the control procedures relating to the determination of the valuation method used;
- testing, on the basis of sampling, the correct application of the valuation method to a selection of securities;
- reconciling, on the basis of sampling, the valuation of these securities with the external documentation that justified it;
- checking the consistency between accounts and management.

For the portfolio of loans not eligible for recognition at amortized cost under IFRS 9:

- assessing the methods used to determine the valuations (coherence between assumptions and market parameters used);
- checking the exhaustiveness of the scope used as a basis for calculation of the fair values;
- checking the consistency of the parameters applied in the calculation method and any updates in line with the methods validated;
- checked the arithmetical accuracy of the calculations made on a sample of loans;
- checked the consistency between accounts and management.

We also verified the appropriateness of the accounting methods used by the Group and we made sure that they were correctly applied.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law regarding group related information, given in the management report of Board of Directors.

Regarding the events that occurred and elements that have been known since the date the financial statements were approved and in relation to the effects of Covid19's crisis, management informed us that this would be subject to a specific communication addressed to the board of directors called to vote on said financial statements.

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

We certify that the consolidated declaration of extra-financial performance provided for in article L. 225 102-1 of the French Commercial Code is included in the management report, it being specified that, in accordance with the provisions of article L. 823 10 of the Code, the information contained in this statement has not been the subject of verifications of fairness or consistency of our means with the consolidated financial statements and must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE AUDITORS

We were appointed as auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 30, 1996 for Mazars.

As at December 31, 2019, KMPG S.A. was in the 18th year of total uninterrupted engagement, and Mazars was in the 24th year of total uninterrupted engagement, of which 18 and 21 years since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting principles as adopted in the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Chief Executive Officer.

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- collects information related to persons and entities included in the scope of consolidation that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as the opinion expressed on these accounts.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.82210 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for auditors. Where appropriate, we discuss with the Audit the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, March 27, 2020

The auditors,

French original signed by

KPMG S.A.	MAZARS
Pascal Brouard	Jean Latorzeff
Partner	Partner

6.4 Statutory auditors' special report on regulated agreements

To members of the Board of Directors of the l'*Agence Française de Développement*,

In our capacity as statutory auditors of AFD, we hereby present our report on your regulated agreements.

On the basis of the information provided to us, we are required to inform you of the principal terms and conditions, as well as the reasons providing evidence of the benefit to the company, of the agreements 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 submitted to the Board of Directors for Approval

AGREEMENTS APPROVED AND ENTERED INTO DURING THE PREVIOUS FINANCIAL YEAR

We report that we were not notified of any agreement approved or entered into during the previous financial year that required to be submitted to the Board of Directors for approval in accordance with Article L225-38 of the French Commercial Code.

Agreements already approved by the Board of Directors

AGREEMENTS APPROVED IN PREVIOUS YEARS WHICH CONTINUED TO BE IMPLEMENTED OVER THE 2019 FINANCIAL YEAR

Pursuant to 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 European Investment Bank

Risk sharing framework agreement with the EUROPEAN INVESTMENT BANK

On 22 December 2016, AFD signed a risk sharing framework agreement with the European Investment Bank.

Through this, the EIB shares risk up to a maximum amount of €150M for projects included in the portfolio of eligible projects. These are projects for which a confirmation of participation has been signed by AFD and the EIB.

In the event of payment default, AFD may send notification to the EIB indicating the amount and the nature of the unpaid sums, their due date and the amount of the EIB's share of these sums.

Up to the threshold of its available participation commitment, the EIB is committed irrevocably to paying AFD within a period of 60 days following receipt of the notification, an amount corresponding to its percentage share.

In exchange for the EIB's risk sharing commitment, AFD will pay the EIB a risk sharing commission calculated for each project. Should a project default, no participation commission will be payable from AFD to the EIB.

The EIB's risk sharing benefits from a European Union guarantee in respect of the European Fund for Strategic Investments.

This agreement was approved by the Board of Directors on 15 December 2016

With the Coordination Sud non-profit group

Agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and COORDINATION SUD for the financing of the three-year COORDINATION SUD programme of activities 2017/2019

On 23 February 2017, the AFD Board of Directors approved the signing of a regulated agreement with COORDINATION SUD for the financing of the three-year COORDINATION SUD programme of activities 2017/2019.

With that funding, COORDINATION SUD hopes to continue to strengthen its contribution to public policies regarding humanitarian issues, sustainable development and international solidarity by bringing together, strengthening and enhancing French CSOs as key players in international solidarity.

AFD provided the beneficiary with a grant of €2,943,314, or 60% of the total estimated budget for the programme. The first tranche was for the 2017 financial year and the second for 2018 and 2019.

At 31 December 2019, AFD had paid the total subsidy of €2,943,000.

Agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and COORDINATION SUD regarding the financing of the FRIO facility

On 1 September 2016 AFD and COORDINATION SUD signed an agreement on the financing of the FRIO facility, which aims to strengthen organisational and institutional aspects of French CSOs (civil society organisations).

AFD is putting at the beneficiary's disposal a grant for a maximum amount of €584,197. This grant may not exceed the limit of 80% of a project's overall budget.

Funding paid must be used entirely for eligible expenses by 31 June 2017 at the latest. The portion of the grant not used by this date will be automatically cancelled.

The period of eligibility for expenses related to the project is set from 1 July 2016, or the project's effective start date, to 31 December 2017, the project's effective closing date.

Costs arising from the negotiation, preparation, signature and execution are considered as additional expenses and remain payable by COORDINATION SUD.

This agreement received prior approval by AFD's Board of Directors on 16 June 2016.

At 31 December 2019, AFD had paid the total subsidy of €584,000.

Financing agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and COORDINATION SUD on funding the new edition of the study "*Argent/Association de solidarité internationale – Edition 2017*" (money and international solidarity associations - 2017 edition)

This agreement provides that a grant of €65,395 be made available to the COORDINATION SUD association. This will be used to fund the new edition of the study "*Argent/Associations de solidarité internationale (ASI) – Edition 2017*".

This agreement received prior approval by AFD's Board of Directors on 15 December 2016.

At 31 December 2019, AFD had paid the total subsidy of €65,000.

With *Comité National de Solidarité Laique* – CNSL

Agreement on the Programme for Developing Education Networks in West Africa

On 6 April 2017, AFD and the Comité National de Solidarité Laïque signed a financing agreement for the Programme for Developing Education Networks in West Africa (final phase 2016-2018). The actual project end date is 31/12/2020.

The maximum amount of the grant is set at €910,219 of which the first payment will be made once the following conditions have been met:

- approval by the Agency of the final technical and financial report for the previous phase;
- receipt by AFD of the communication containing the NGO's security plan at the French Embassy in Benin and in Burkina Faso.

The period of eligibility for expenses related to the project is set from 1 April 2016, or the project's effective start date, to 31 March 2018, corresponding to the project's closing date. By the latter date, all of the expenses related to the project must have been paid out.

The deadline for dispersing funds is set at 31 September 2017.

This agreement received prior approval by AFD's Board of Directors on 16 June 2016.

At 31 December 2019, AFD had paid the total subsidy of €910,000.

Agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and the CNSL for the financing of a project to support citizen participation in post-peace agreement Colombia

On 13 July 2017, the AFD Board of Directors approved the signature of a regulated agreement with the Comité National de Solidarité Laïque for the financing of a project to support citizen participation in post-peace agreement Colombia.

AFD provided the beneficiary with a grant of €349,706, or 50% of project costs. The project will last for 30 months, from 1 September 2017 to 29 February 2020.

This project was previously presented to the NGO Committee on 13 June 2017.

At 31 December 2019, AFD had paid €350,000.

Agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and the CNSL for the financing of a project to improve the quality of primary schools in Sri Lanka

On 11 April 2018, the AFD Board of Directors approved the signature of a regulated agreement with the *Comité National de Solidarité Laïque* (CNSL) for the financing of a project to improve the quality of education at primary schools in Sri Lanka and promote exchange and coordination between state and non-state players.

To this end, AFD provided the CNSL with a grant of €375,000.

The agreement between stakeholders was signed on 21 December 2018.

At 31 December 2019, AFD had paid €208,000.

Agreement between *AGENCE FRANÇAISE DE DÉVELOPPEMENT* and the CNSL for the financing of a project entitled Coalition Education Phase 2 – Les OSC (Organisations de sociétés civiles) françaises engagées pour l'éducation dans le monde (French civil society organisations committed to education worldwide).

On 30 January 2018, the AFD Board of Directors approved the signing of a regulated agreement with the Comité National de Solidarité Laïque. Phase 2 of the project aims to further develop an initiative launched in 2015 to construct a platform of French Civil Society Organisations (OSCs) committed to education worldwide.

The maximum grant amount is €272,000.

At 31 December 2019, AFD had paid €171,000.

With *Société de Gestion des Fonds de Garanties d'Outre-Mer* (SOGEFOM)

Service agreement

On 15 March 2004, AFD and SOGEFOM signed a service agreement effective retroactively to 28 August 2003. Under this agreement, AFD provides management, representation and technical support services to SOGEFOM.

AFD was paid a fee of €2,002,000 under this agreement in 2019.

With *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 €47M. These advances were intended to reinforce SODERAG's capital.

Because of SODERAG's irremediably compromised position since it went into voluntary liquidation in 1998, and given AFD's status as sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

Provision of non-interest bearing shareholder advances to SODERAG

Between 1999 and 2005, AFD provided its subsidiary with additional non-interest-bearing current account advances to SODERAG so that its liquidation could continue.

At 31 December 2019, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 totalled €106,346,000.

With *Sociéte 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 2019, outstanding loans in AFD's books amounted to €9,641,000 for SODEMA, €13,108,000 for SODEGA and €535,000 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 2019, AFD was paid fees and interest for these loans that amounted to €59,000 from SODEMA, €160,000 from SODEGA and €30,000 from SOFIDEG.

In 2019, up to €20,111,000 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 €658,000 in 2019.

With *Fondation pour les Études et Recherches sur le Développement International* (FERDI) and *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 €12,500K to each foundation, repayable in one instalment after 15 years.

Loan outstanding amounted to €25,000,000 at 31 December 2019.

AFD received no remuneration under these agreements in 2019.

With *Société de Promotion et Participation pour la Coopération économique* (PROPARCO)

Co-financing framework agreement between PROPARCO and AFD

On 18 May 2017, the AFD Board of Directors approved the signing of an agreement with its subsidiary PROPARCO.

This framework agreement, signed on 27 November 2017, aims to clarify and streamline the procedures for processing co-financed projects for the private sector, to help AFD Group meet its objectives.

The benefits of this agreement are the streamlining of the procedures and processing costs and monitoring of co-financed projects.

Under the financial terms of the agreement, the processing and project monitoring costs will be split equally by sharing the processing and administration fees payable by each counterparty.

Thanks to this agreement, which came into effect on the date of its signature, AFD can promote a broader range of financing to private sector counterparties, thereby strengthening the group's internal synergies. The agreement stipulates the procedures for loan or guarantee transactions co-financed by AFD and PROPARCO S.A. for cases not covered by the sub-participation agreement, namely:

- that AFD's commitment amount will be higher than that of PROPARCO S.A.;
- a tranche of the financing at a concessional rate.

In return, PROPARCO S.A. receives remuneration calculated as follows:

- processing and admin costs which are invoiced to the borrower and split as follows:
  - for the first 0.75%: split between AFD and PROPARCO S.A. pro rata to the participations,
  - the portion between 0.75% and 1.50%: received in full by PROPARCO S.A.,
  - the portion above 1.50%: split between AFD and PROPARCO S.A. pro rata to the participations.
- monitoring and waiver commission: AFD receives the monitoring commission pro rata to its financing amount and PROPARCO S.A. receives the full rider and surrender fee.
- management commission: AFD pays PROPARCO S.A. an annual management fee which is calculated according to the terms of the sub-participation agreement in force and a basis equating to at least i) PROPARCO S.A.'s own outstandings and ii) the total of AFD's co-financing outstandings and sub-participation outstandings.

AFD received no remuneration under these agreements in 2019.

Management agreement for AFD's equity stake in the African Agriculture Fund

On 18 December 2014, the AFD Board of Directors approved the signing of an agreement with its subsidiary PROPARCO.

Under this agreement AFD commissioned PROPARCO to manage its equity stake in the main African Agricultural Fund (AAF) and indirectly in the African Agricultural Fund SME (AAF SME) sub-fund.

To pool the management of this investment fund between its various subsidiaries, AFD assigned to PROPARCO S.A. the following key tasks:

- managing and monitoring AFD's equity stake in the AAF (and indirectly in the AAF SME), specifically to represent it on all the governing bodies of the AAF and AAF SME on which AFD was required to sit;
- managing and processing, on behalf of AFD, all capital disbursements or distributions requested or carried out by the AAF management fund;
- acting as the designated point of contact for the AAF and AAF SME fund managers;
- sending AFD each semester the list of documents provided by the AAF and AAF SME fund managers under their reporting obligations to investors;

- holding the permanent credit files, preparing the "internal quality" reports and rating the "Risk assessment files" on behalf of AFD;
- more generally, taking the right decisions to ensure the efficient management of AFD's equity stake in the AAF and AAF SME (excluding disposal of AFD's equity stake in the AAF which can only be done at AFD's request).

In return, PROPARCO's commission is as follows:

- between the effective date of this agreement and the end of the AAF investment period: 0.60% per annum of the amount subscribed by AFD;
- between the end of the AAF investment period and the date on which AAF and AAF SME are liquidated: 0.60% per annum of the cost price of the portfolio investments payable to AFD.

No financial impact was recorded in respect of this agreement in 2019.

Service agreement

AFD has signed a service agreement with its subsidiary PROPARCO.

The agreement, signed on 13 April 2018 with retroactive effect from 1 January 2017, establishes primarily the following services:

- provision of dedicated staff at head office or in the representation offices and staff seconded to external organisations;
- various services (financial management, HR management, permanent control, compliance, data protection, risk management (particularly country risk and sovereign risk), periodic control, security and business continuation, documentation and archiving);
- technical support services provided by some operational departments (possibly AFD's functional departments).

AFD was paid a fee of €54,032,000 under this agreement in 2019.

Agreement relating to the "transforming financial systems for the climate" (TFSC) programme

At its meeting on 28 September 2018, the Board of Directors authorised the principles of the Subsidiary Agreement between AFD and PROPARCO as part of the Transforming Financial System for Climate programme. This is a programme for public and private financial institutions who wish to make climate impact investments. The agreement formalises the vital role AFD will play in rolling out the programme among private financial institutions.

It was signed on 14 October 2019 for a 13-year term which can be tacitly renewed for two successive five-year periods.

AFD recorded no financial impact on account of this agreement in 2019.

Paris La Défense, 27 March 2020

KPMG S.A.
Pascal Brouard
Partner

Courbevoie, 27 March 2020

MAZARS
Jean Latorzeff
Partner

6.5 Fees paid to the statutory auditors and members of their network by the Group

	MAZARS			KPMG AUDIT		
	Montant		%	Montant		%
Amounts in thousands of euros	2019	2018	2019	2019	2018	2019
Audit						
Statutory audit and certification of the annual and consolidated financial statements of AFD Group	266	320	99%	311	334	49%
Parent company (AFD)	*188*	*243*	*70%*	*188*	*237*	*30%*
Fully consolidated companies	*79*	*77*	*29%*	*123*	*98*	*19%*
Additional assignments	4	4	1%	322	27	51%
Parent company (AFD)	*4*	*4*	*1%*	*316*	*27*	*51%*
Fully consolidated companies	*0*	*0*	*0%*	*6*	*0*	*1%*
Subtotal	**270**	**323**	**100%**	**633**	**362**	**100%**
Other services						
Legal, tax, benefits						
Other						
Subtotal	**0**	**0**	**0%**	**0**	**0**	**0%**
TOTAL FEES BEFORE TAX	**270**	**323**	**100%**	**633**	**362**	**100%**

AFD's annual financial statements

Balance sheet at 31 December 2019

Assets

In thousands of euros	Notes	31/12/2019	31/12/2018	Change
Cash, due from central banks		1,259,130	1,399,400	-140,270
Government paper and equivalent	1 and 2	1,433,575	1,550,007	-116,432
Receivables from credit institutions	3	14,281,005	13,243,311	1,037,694
Demand		*2,674,712*	*2,323,579*	*351,132*
Term		*11,606,294*	*10,919,732*	*686,562*
Transactions with customers	4	27,698,218	25,959,027	1,739,192
Other loans to customers		*27,698,218*	*25,959,027*	*1,739,192*
Bonds and other fixed-income securities	1 and 2	668,981	731,300	-62,319
Shares and other variable-income securities	1 and 2	39,033	39,033	-
Equity stakes and other long-term securities	5	153,853	139,078	14,775
Shares in related businesses	6	719,485	620,089	99,396
Intangible assets	9	36,276	39,039	-2,763
Property, plant and equipment	9	190,500	193,288	-2,788
Other assets	10	829,488	408,035	421,454
Accruals	11	540,928	635,916	-94,988
TOTAL ASSETS		**47,850,473**	**44,957,522**	**2,892,950**
Off-balance sheet: Commitments given				
Financing commitments		15,252,097	12,595,936	2,656,161
To credit institutions		*2,909,110*	*2,526,080*	*383,029*
To customers		*12,342,987*	*10,069,856*	*2,273,131*
Guarantee commitments	32	2,548,348	2,350,896	197,452
To credit institutions		*30,834*	*23,480*	*7,353*
To customers		*2,517,515*	*2,327,416*	*190,098*
Commitments on securities		84,386	167,478	-83,092
Other commitments on securities	32	*84,386*	*167,478*	*-83,092*

Balance sheet at 31 December 2019

Liabilities

In thousands of euros	Notes	31/12/2019	31/12/2018	Variation
Debts to credit institutions	12	468,966	393,260	75,706
Demand		*200,608*	*115,861*	*84,747*
Term		*268,357*	*277,399*	*-9,041*
Transactions with customers	13	1,657	1,690	-33
Other demand debts		*1,657*	*1,690*	*-33*
Other term debts				
Debt securities in issue	14	35,910,831	33,858,366	2,052,465
Interbank market and negotiable debt		*100,029*	*478,250*	*-378,221*
Bonds		*35,810,802*	*33,380,116*	*2,430,686*
Other liabilities	10	2,195,849	1,894,448	301,401
Allocated public funds		*90,821*	*74,354*	*16,467*
Other liabilities		*2,105,027*	*1,820,093*	*284,934*
Accruals	11	368,025	393,863	-25,838
Provisions	15	1,326,757	1,204,349	122,408
Subordinated debt	16	1,943,009	1,703,007	240,002
Reserve for General Banking Risk (RGBR)	17	460,000	460,000	-
Equity excluding RGBR	18	5,175,379	5,048,540	126,840
Provisions		*2,807,999*	*2,807,999*	-
Reserves		*2,179,759*	2,063,442	*116,318*
Subventions		*27,480*	*31,702*	*-4,222*
Income		*160,141*	*145,397*	*14,743*
TOTAL LIABILITIES		**47,850,473**	**44,957,522**	**2,892,950**
Off-balance sheet: Commitments received				
Financing commitments		-	-	-
Received from credit institutions				
Received from the French State		-	-	-
Guarantee commitments	32	290,861	332,990	-42,129
Received from credit institutions		290,861	332,990	-42,129
Commitments on securities				
Other commitments received on securities				
Other commitments	32	4,645,686	4,128,610	517,077
Guarantees received from the French State		4,645,686	4,128,610	517,077

2019 income statement

In thousands of euros	Notes	31/12/2019	31/12/2018	Variation
Income and expenses on banking operations				
Interest and related income	**20**	**1,710,367**	**1,586,542**	**123,826**
On transactions with credit institutions		502,234	457,512	44,722
On transactions with customers		569,777	532,854	36,923
On bonds and other fixed-income securities		20,597	23,286	-2,689
Other interest and similar income		617,760	572,891	44,870
Interest and related expenses	**21**	**1,341,969**	**1,255,994**	**85,974**
On transactions with credit institutions		743,353	695,916	47,437
On transactions with customers		522	26	496
On bonds and other fixed-income securities		599,420	546,130	53,290
Other interest and similar income		-1,326	13,923	-15,249
Income on variable-income securities		**10,293**	**14,844**	**-4,552**
Commissions (income)	**22**	**133,792**	**81,390**	**52,402**
Commissions (expenses)		**766**	**637**	**129**
Gains or losses on investment portfolio transactions and similar	**23**	**-225**	**-3,898**	**3,674**
Other income on banking operations	**24**	**307,992**	**280,805**	**27,188**
Other expenses on banking operations	**25**	**69,702**	**65,615**	**4,087**
Net banking income		**749,784**	**637,438**	**112,346**
Other ordinary income and expenses				
Overheads	**26**	**434,392**	**387,247**	**47,145**
Staff costs		*294,175*	*261,415*	*32,760*
Other administrative expenses		*140,217*	*125,832*	*14,385*
Depreciation/amortisation and impairment expenses on property, plant and equipment and intangible assets	**9**	**32,508**	**22,054**	**10,454**
Gross operating income		**282,884**	**228,137**	**54,748**
Cost of risk	**29**	**-117,335**	**-75,220**	**-42,115**
Operating income		**165,549**	**152,917**	**12,632**
Gains or losses on fixed assets	**30**	**-5,161**	**-1,296**	**-3,865**
Pre-tax income from operations		**160,388**	**151,621**	**8,767**
Exceptional income	**31**	**-247**	**-6,223**	**5,977**
INCOME FOR THE FINANCIAL YEAR		**160,141**	**145,397**	**14,743**

7.1 Highlights of the financial year

7.1.1 Growth of the balance sheet

At 31 December 2019, the total balance sheet stood at €47.9bn, up 6.4% compared to the previous year. This change mainly stems from the growth in activity, with an increase of 7% in outstanding loans on its own behalf over the period.

7.1.2 Financing of the Group's activity

To finance the growth in activity on its own behalf, Agence Française de Développement (hereinafter "AFD") made five bond issues in the form of public issues and 10 private placements, as well as six tap issues, for a total volume of €6.4bn during the 2019 financial year.

7.1.3 Appropriation of 2018 earnings

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

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

The Minister of the Economy and Finance determined the 2018 dividend to be paid by AFD to the French State. It amounted to €29,1M, which equates to 20% of AFD's net income and was paid after publication in the Official Journal.

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

7.1.4 Proparco shareholder structure

BPCE International sold its Proparco shares to AFD on 3 April 2019, bringing AFD's holding in Proparco's share capital to 74.18% (compared with 64.95% in 2018).

7.1.5 Fisea capital increase

AFD paid up €17.0M of its subscribed shares in Fisea following the capital increase approved by the partners at the end of 2019.

7.2 Accounting principles and assessment methods

7.2.1 General comments

AFD's annual financial statements are presented according to the accounting principles for credit institutions and financing companies prevailing in France, in accordance with ANC Regulation 2014-07 of 26 November 2014.

The individual financial statements include the balance sheet, off-balance sheet, income statement and notes to the financial statements, which supplement the information provided in previous documents.

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

In accordance with current applicable standards:

- as of 1 January 2006, AFD has applied CRC Regulation 2005-03, which was repealed and replaced by ANC Regulation 2014-07 of 26 November 2014, relative to accounting practice for credit risk;
- as of 1 January 2014, AFD has applied ANC recommendation 2013-02 of 7 November 2013 on the assessment and accounting rules for retirement obligations and similar benefits, which supersedes CNC Recommendation 2003-R01 of 1 April 2003.

7.2.2 Conversion of foreign 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[(1)] 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.

7.2.3 Loans to credit institutions and customers

Loans to credit institutions and customers are shown in the balance sheet in their 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 temporis*.

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

Debts guaranteed by the French State that are not downgraded and sovereign debts for which the allowed period of arrears has been extended to 18 months are exempt from this rule.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total impairment for the outstanding capital (impairment for specific risks). Classifying a given counterparty's liabilities as doubtful leads through «contagion» to all liabilities and commitments relating to this counterparty being classified as doubtful, regardless of the type of product (loans, guarantees, etc.).

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.

(1) PRGF: Poverty Reduction and Growth Facility.

ASSET RESTRUCTURING

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If, in view of the change in the borrowing terms, the present value of these new expected future flows at the original effective interest rate of the asset is lower than its book value, a discount must be booked to bring the book value back to the new present value.

At 31 December 2019, restructured loans had a balance of €109.9M. Discounts of €2.9M related to eight restructured loans, €68K of which impact the cost of risk (related to a restructured loan in 2019) were recognised.

7.2.4 Short-term and long-term investments

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

- short-term investment securities intended to be held for 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 recognised 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 financial statements;
- long-term investment securities (mainly bonds), purchased with the intention of holding them for a long time, until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.

  They may be subject to impairment in case of counterparty risk.

  Premiums or discounts (the difference between purchase price and redemption price) are spread on an actuarial basis over the residual life of the investment.

  At each monthly account closing, the coupon accrued since the last period is recognised as income.

  AFD has secured resources allocated to funding its long-term securities investments.

7.2.5 Shares in related businesses, equity stakes and long-term investments

SHARES IN RELATED BUSINESSES

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

OTHER LONG-TERM 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 has interests in 17 companies via a number of managed funds (Cidom, Fides and Fidom) or via funds contributed by the French State. These holdings, recorded at cost, do not appear on the publishable off-balance sheet. Details of the amounts involved are provided in Note 35. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

7.2.6 Bonded debt

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.

7.2.7 Subventions

The "Subsidies" item records the subsidies on loans for global 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.

7.2.8 Fixed assets

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

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

Depreciation periods have been estimated on the basis of each item's useful life:

	Title	Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

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

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

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

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".

7.2.9 Forward financial instruments

Off-balance sheet assets for financial instruments result entirely from outright transactions – interest-rate swaps and cross-currency swaps – made over-the-counter.

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

In accordance with ANC Regulation[1] 2014-07, the par value of these contracts is recorded off balance sheet, while symmetry in relation to the hedged item results in income or expenses recorded as interest and related income or expenses for hedged items. Such income and expenses are not offset.

(1) Book II, Title 5, of ANC Regulation 2014-07 concerning forward financial instruments, which repeals and replaces CRBF Regulation 90-15 as amended by CRBF 92-04.

7.2.10 Provisions

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

PROVISIONS FOR SOVEREIGN OUTSTANDINGS

The agreement "on the reserve account[(1)]" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

The reserve account is used to (i) top up the provisions built up by AFD in case of sovereign default, (ii) pay interest outstanding, and (iii) help offset debt write-offs pertaining to sovereign loans.

The balance of this account cannot be less than the amount required by banking regulations applicable to collective provisions on performing or restructured loans. This lower regulatory limit is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Doubtful sovereign debts are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

COLLECTIVE PROVISIONS FOR NON-SOVEREIGN OUTSTANDINGS AND COMMITMENTS GIVEN

Loans amortised collectively comprise all non-sovereign loans in countries outside France and in the French Overseas Departments and Collectivities not amortised individually, as well as guarantee commitments given and financing commitments given for amounts to be disbursed under signed lending agreements.

General principle

Assets are sorted into 3 categories, or "stages", according to how the related credit risks change since loan origination. The method used to calculate the provision differs according to which of the 3 stages an asset belongs to.

This is defined as follows:

- Stage 1: groups "performing" assets for which the counterparty risk has not increased since they were granted. The provision calculation is based on expected losses within the following 12 months;
- Stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The provision calculation is statistically based on expected losses on maturity;
- Stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The provision calculation is based on expected losses on maturity (see section 2.3 Loans to credit institutions and customers).

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the year-end.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 1, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

(1) The signature of this agreement precludes the agreement "on recording provisions for sovereign loans granted by AFD on its own behalf" of 30 December 2010 between the State and AFD.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

In view of the specific nature of AFD Group's portfolio, its chosen calculation method is based on internal data and concepts as well as adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

Probability of default (PD)

The likelihood of a default on a loan can be estimated over a given time span. Probability of default is simulated:

- on the basis of risk segment criteria;
- over 12 months for Stage 1 assets (12-month PD);
- over the entire duration of loan repayments for Stage 2 assets (known as the default probability curve, or lifetime PD).

Given the low volumes of loans within AFD Group, the latter has no database of its own of past defaults sufficiently representative of the economic reality of the regions of the world where its entities operate.

For these reasons, AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. It may be necessary to adjust the external transition matrices that serve as the basis for measuring the probability of default in order to correct some irregularities that might affect the consistency of default probabilities.

Loss given default (LGD)

Loss given default is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

In view of AFD's business model and its debt recovery capacity, AFD Group uses internal recovery data models based on the coverage ratios of doubtful debts and factoring in the likelihood of recovery.

Exposure at default (EAD)

Exposure at default corresponds to the forecast residual amount by the debtor at the time of the default and must, therefore, take into account future cash flows. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

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

Provision allocations for performing non-sovereign loans had a negative impact on the cost of risk in the amount of €2.0M.

Provision allocations for off-balance sheet commitments (undisbursed balance and guarantees given) had a negative impact on the cost of risk in the amount of €38.5M.

PROVISIONS FOR SUBSIDIARY RISK

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

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 foreign exchange losses on interests in foreign currencies if the currency concerned is devalued.

PROVISIONS FOR EMPLOYEE BENEFITS

Defined benefit plans

- Retirement and early retirement commitments

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

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

  The assumptions used for the valuations are as follows:

  - Discount rate: 0.00%,
  - Retirement age: 63 for non-executive level employees and 65 for executive level employees,
  - Annual increase in salary: 2.00%;
- 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: 1.00%,
  - Annual increase in salary: 2.00%,
  - Retirement age: 63 for non-executive level employees and 65 for executive level employees,
  - Actuarial tables: TGH 05 (men)/TGF 05 (women).

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

As of 31 December 2019, the amount of the provision was increased by **€6,475K**.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2019 in the amount of €177K.

The aggregate impacts on the 2018 and 2019 reporting years are set out in the table below:

In thousands of euros	At 31/12/2019	Change in the impact onincome	At 31/12/2018	Change in the impact on income	At 31/12/2017
Provisions for employee benefits	**111,877**	**6,586**	**105,291**	**17,120**	**88,171**
• Defined benefit plans	110,597	6,409	104,188	16,981	87,207
• Other long-term benefits	1,281	177	1,104	139	964

The changes in commitments over the 2019 financial year are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retire-ment	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	**9,036**	**36,959**	**88,634**	**17,098**	**151,727**	**1,102**	**152,829**
Financial cost	187	260	1,862	348	2,657	23	2,681
Cost of services rendered over the year	330	168	4,484	1,438	6,419	152	6,571
Cost of past services	0	0	1,838	0	1,838	0	1,838
Reductions/Liquidations	0	0	0	0	0	0	0
Services paid	-66	-7,513	-1,933	-1,359	-10,870	-115	-10,985
Actuarial gains (losses)	2,309	-1,639	24,442	2,702	27,814	117	27,931
Other (commitment transfers)	0	-11	-46	-20	-78	-1	-79
Present value of the commitment at 31/12/2019	**11,797**	**28,223**	**119,281**	**20,207**	**179,507**	**1,279**	**180,786**
Change in the fair value of retirement plan assets							
Fair value of assets at 1 January		46,169			46,169		46,169
Expected return on assets		323					
Services paid		-7,513					
Actuarial gains (losses)		-1,906					
Liquidations		0					
Fair value of assets at 31/12/2019		**37,073**			**37,073**		**37,073**
Corridor limits:							
Actuarial gains (losses) not recognised at 1 January		7,522	-7,943	-947	-1,369	0	-1,369
Corridor limits at 1 January	904	4,617	8,863	1,710			
Actuarial gains (losses) generated over the year	-2,309	-267	-24,442	-2,702	-29,720	-117	-29,837
Actuarial gains (losses) recognised in profit or loss	0	-747	0	0	-747	117	-630
Actuarial gains (losses) recognised in equity		0	0	0	0		0
Actuarial gains (losses) not recognised at 31/12/2019	**-2,309**	**6,508**	**-32,385**	**-3,650**	**-31,836**	**0**	**-31,836**

In thousands of euros	Expatriate employees healthcare expenses	Retire-ment	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Amounts recognised on the balance sheet at 31/12/2019							
Present value of the funded commitment		28,223					
Fair value of financed assets	0	-37,073			-8,851		-8,851
Present value of unfunded commitment	11,797		119,281	20,207	151,284	1,279	152,564
Net position	**11,797**	**-8,851**	**119,281**	**20,207**	**142,434**	**1,279**	**143,713**
Unrecognised actuarial gains (losses)	-2,309	6,508	-32,385	-3,650	-31,836	0	-31,836
Balance sheet provision	**9,488**	**-2,343**	**86,896**	**16,557**	**110,598**	**1,279**	**111,877**
Amounts recognised on the income statement at 31/12/2020							
Cost of services rendered over the period	330	168	4,484	1,438	6,419	152	6,571
Cost of past services	0	0	1,838	0	1,838	0	1,838
Financial cost for the period	187	260	1,862	348	2,657	23	2,681
Recognised actuarial gains (losses)	0	-747	0	0	-747	117	-630
Expected return on retirement plan assets	0	-323			-323		-323
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**517**	**-643**	**8,184**	**1,785**	**9,844**	**293**	**10,137**
Reconciliation of opening and closing net liability							
Liability at 1 January	9,036	-1,689	80,690	16,151	104,189	1,102	105,291
Expenses booked	517	-643	8,184	1,785	9,844	293	10,137
Contributions paid							0
Restatements and transfers	0	-11	-46	-20	-78	-1	-79
Employer contributions	-66	0	-1,933	-1,359	-3,357	-115	-3,472
Items not to be recycled in profit or loss	0	0	0	0	0		0
Net liabilities at 31/12/2019	**9,488**	**-2,343**	**86,896**	**16,557**	**110,598**	**1,279**	**111,877**
Change in net liabilities	**452**	**-654**	**6,206**	**406**	**6,409**	**177**	**6,586**

Projected commitments at 31 December 2019 are as follows:

Actuarial debt at 31/12/2019	**9,488**	**28,223**	**86,896**	**16,557**	**141,164**	**1,279**	**142,443**
Cost of services rendered in 2020	450	140	7,557	1,943	10,091	189	10,280
Financial cost in 2020	122	0	1,268	212	1,603	14	1,617
Actuarial losses (gains) recognised in profit or loss	67		1,197	95			
Services payable in 2020/transfer of capital upon departures in 2020	-65	-9,487	-2,043	-1,172	-12,767	-121	-12,888
Estimated debt at 31/12/2020	**10,063**	**18,876**	**94,876**	**17,635**	**141,450**	**1,361**	**142,811**

7.2.11 Reserve for General Banking Risk (RGBR)

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

Among other things, the Reserve is intended to hedge:

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

7.2.12 Subordinated debt

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

In the 2019 financial year, AFD received €240M in RCS (resources with special conditions).

7.2.13 Financing commitments

Financing commitments given record the amounts to be disbursed under lending agreements with customers or credit institutions and under investment fund agreements.

Financing commitments given to credit institutions include the undisbursed balance, on the State's behalf, under agreements signed with the IMF for financing the PRGF

Financing commitments given to investment funds include remaining commitments for AFD's subscription to Fisea's new share issue, namely €23.0M at 31 December 2019.

7.2.14 Guarantee commitments

Commitments given for guarantees to credit institutions include, in particular:

- guarantees granted by AFD for the Ariz I, Ariz II and Ariz Med procedure (Support for the risk of financing private investment in AFD's PSZ, in Sub-Saharan Africa and in Mediterranean countries). These guarantees are intended to encourage the creation and development of local businesses.

Commitments given for guarantees to clients include, in particular:

- the guarantee of the debt of its subsidiary in liquidation, Soderag, bearing in mind that a very large part of this debt was repaid early in 1998 and 1999 after Soderag sold its portfolio to Sodega, Sodema and Sofideg. The portfolio was then taken over by BRED;
- the guarantee granted to BRED accounts for 50% of gross outstandings on the loan portfolio sold by Socredom in 1998 in preparation for its dissolution, which took place on 1 January 1999;
- repayment guarantees for the three bonds issued by IFFIM as part of managing the French contribution to the Solidarity Fund for Development (FSD) on behalf of the French State;
- sub-participation guarantees granted to Proparco.

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

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

Guarantee commitments for securities include share buyback options offered to Proparco's minority shareholders as part of the capital increases undertaken in 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.

7.2.15 Disclosure on non-cooperating States and territories

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

Act No 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

At 31 December 2019, AFD did not have any offices in non-cooperative countries or territories.

7.2.16 Other information related to consolidation

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

7.2.17 Post-closing events

The spread of the Coronavirus pandemic (COVID-19) has led AFD to adopt safety measures in France and in our offices to comply with the recommendations of the World Health Organization and health authorities. This health crisis has no impact on AFD's parent company financial statements at 31 December 2019.

No other significant events took place after 31 December 2019.

7.3 Notes to the financial statements at 31 December 2019

I SUMMARY OF THE NOTES

NOTE 1 Short-term investments[1]

In thousands of euros	December 2019 Listed securities	Unlisted securities	Total	December 2019 Listed securities	Unlisted securities	Total
Government paper and equivalent	787,366		787,366	863,195		863,195
Related receivables	6,790		6,790	6,848		6,848
Impairments	0		0	-2,305		-2,305
Net total	**794,157**		**794,157**	**867,738**		**867,738**
Bonds and other fixed-income securities	175,315	419,590	594,906	175,176	473,730	648,905
Related receivables	455	167	622	350	-116	235
Impairments	**0**	**0**	**0**	**0**	**-223**	**-223**
Net total	175,770	**419,758**	595,528	175,526	**473,390**	648,917
Shares and other variable-income securities	39,033		39,033	39,033		39,033
Net total	**39,033**		**39,033**	**39,033**		**39,033**
TOTAL NET VALUE	**1,008,960**	**419,758**	**1,428,717**	**1,082,297**	**473,390**	**1,555,687**

In thousands of euros	Fixed income	Variable Income	Total 2019	Fixed income	Variable Income	Total 2018
Unrealised capital gains	21,331	11,681	33,012	7,865	9,147	17,012

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2019
Maturity of bonds and other fixed-income securities		300,585	203,186	91,135	594,906

NOTE 2 Investment securities[1]

In thousands of euros	December 2019 Listed securities	Unlisted securities	Total	December 2019 Listed securities	Unlisted securities	Total
Government paper and equivalent	631,728		631,728	673,170		673,170
Related receivables	7,690		7,690	9,100		9,100
Net total	639,418		639,418	682,269		682,269
Bonds and other fixed-income securities	71,520		71,520	80,169		80,169
Related receivables	1,933		1,933	2,214		2,214
Net total	73,453		73,453	82,383		82,383
TOTAL NET VALUE	**712,871**		**712,871**	**764,652**		**764,652**
Difference between purchase price and redemption price	41,252		41,252	63,846		63,846

During the financial year, no investment security was sold before maturity for the needs of managing counterparty risk.

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2019
Maturity of bonds and other fixed-income securities	600	-	70,920	-	71,520

(1) Total balance sheet items comprising government paper and equivalent (€1,433,575,000), bonds and other fixed-income securities (€668,981,000), shares and other variable-income securities (€39,033 thousand) for a total of €2,141,589,000 at 31 December 2019.

NOTE 3 Receivables from credit institutions

In thousands of euros	December 2019 Demand	Term	Total	December 2018 Demand	Term	Total
Regular accounts	1,190,633	0	1,190,633	815,323	0	815,323
Loans to credit institutions	1,484,049	11,673,214	13,157,263	1,507,613	10,988,097	12,495,710
of which interbank investment[1]	1,484,049	1,036,406	2,520,455	1,507,613	851,389	2,359,002
of which loan activity	0	10,636,808	10,636,808	0	10,136,708	10,136,708
Related receivables	34	69,301	69,336	645	65,018	65,664
Impairments	-4	-136,221	-136,225	-2	-133,383	-133,385
TOTAL	**2,674,712**	**11,606,294**	**14,281,005**	**2,323,579**	**10,919,732**	**13,243,311**

(1) This item includes money-market UCITS.

The amount of outstandings at the State's risk and on behalf of the State is €2,588K.

Details of doubtful term loans *(in thousands of euros)*	December 2019 Gross	Impairments	December 2018 Gross	Impairments
Doubtful outstandings (excluding related receivables)	136,614	128,367	130,235	125,528
of which non-performing outstanding sovereign loans[1]				
of which non-performing outstanding non-sovereign loans	111,978	111,944	111,938	111,905

(1) Granted to States or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

NOTE 4 Transactions with customers

In thousands of euros	December 2019	December 2018
Credit to customers	27,996,102	26,193,310
Related receivables	104,978	103,352
Impairments	-402,862	-337,635
TOTAL	**27,698,218**	**25,959,027**

Outstanding credit at the State's risk was €725K at 31/12/2019.

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2019
Maturity of loans to customers	1,212,653	1,770,370	8,306,848	16,706,232	27,996,102

Total arrears on ordinary receivables (€21,301K) and total doubtful loans (€858,369K) are included in "Less than 3 months".

Details of doubtful term loans *In thousands of euros*	December 2019 Gross	Impairments	December 2018 Gross	Impairments
Doubtful outstandings (excluding related receivables)	858,369	-402,862	621,644	-337,635
of which non-performing outstanding sovereign loans[1]	102,852	-85,531	99,124	-81,757
of which non-performing outstanding non-sovereign loans	157,199	-153,260	112,591	-111,957

(1) Granted to States or with their endorsement.

NOTE 5 Equity stakes and other long-term investments

In thousands of euros	December 2019	December 2018
Long-term securities and equity stakes	**171,205**	**154,131**
Gross value[1]	182,368	163,428
Translation differences	-11,163	-9,297
Impairments	-17,351	-15,052
NET TOTAL	**153,853**	**139,078**

(1) The gross amount of listed shares totalled €11,722K in 2019.

NOTE 6 Shares in related businesses

In thousands of euros	December 2019	December 2018
Gross value	747,245	642,645
Impairments	-27,760	-22,555
NET TOTAL	**719,485**	**620,089**

NOTE 7 Transactions with related businesses

In thousands of euros	December 2019	December 2018
Assets		
Receivables from credit institutions	4,724,434	4,085,876
Liabilities		
Term debts to credit institutions	267,954	276,996
Off-balance sheet		
Financing commitments given	1,587,835	1,534,076
Guarantee commitments given	1,238,529	1,045,845

NOTE 8 List of subsidiaries and equity stakes

Subsidiaries held at more than 50%

In thousands of euros	Proparco	Soderag
Head office	151, rue Saint-Honoré	rue F. Eboué BP 64
	75001 Paris	97110 Pointe à Pître
Equity	693,079	5,577
Equity holdings	74.18%	100.00%
Shareholders' equity	964,760	-116,193
of which income after tax	35,640	-28
Gross book value	508,156	5,980
Net book value	508,156	0

In thousands of euros	Sogefom	Fisea
Head office	5, rue Roland-Barthes	5, rue Roland-Barthes
	75012 Paris	75012 Paris
Equity	1,102	227,000
Equity holdings	58.69%	100.00%
Shareholders' equity	12,708	137,549
of which income after tax	-698	-9,544
Gross book value	5,015	227,000
Net book value	5,015	205,219

Equity stakes of between 10% and 50%

Gross value	68,907
Net value	66,301

NOTE 9 Fixed assets and depreciation/amortisation

In thousands of euros	31/12/2018	Purchases	Sales*	Transfers	31/12/2019
Gross value					
Land and development	88,706	271	-	-131	88,846
Buildings and development	216,452	5,322	170	-2,038	219,566
Other property, plant and equipment	59,098	9,537	3,722	-2,024	62,888
Intangible assets	94,484	20,126	9,993	-3,802	100,815
GROSS AMOUNT	**458,741**	**35,256**	**13,886**	**-7,995**	**472,116**

In thousands of euros	31/12/2018	Purchases	Sales*	Transfers	31/12/2019
Depreciation/amortisation					
Land and development	2,969	156	-	-	3,125
Buildings and development	126,560	8,197	47	-38	134,672
Other property, plant and equipment	41,440	5,171	3,571	-35	43,005
Intangible assets	55,446	9,239	2	-146	64,538
Amount of depreciation/amortisation	**226,415**	**22,763**	**3,619**	**-219**	**245,340**
Impairments	**0**				**0**
NET AMOUNT	**232,327**	**12,493**	**10,267**	**-7,777**	**226,775**

* *Includes €9.9 million for abandonment of the GEOFI project.*

NOTE 10 Other assets and liabilities

	December 2019		December 2018	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State		403,000		436,329
Allocated public funds		82,879		67,564
Guarantee funds in the French Overseas Departments		7,943		6,790
Collateral deposit	706,242	1,181,167	386,581	956,597
Others	123,246	520,861	21,454	427,168
TOTAL	**829,488**	**2,195,849**	**408,035**	**1,894,448**

NOTE 11 Accruals

	December 2019		December 2018	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Currency adjustment accounts on off-balance sheet items	48,543		160,881	
Income and expenses resulting from *swaps*	391,837	123,643	384,539	130,988
Shared income and expenses	40,232	189,358	41,733	204,896
Other accruals	60,315	55,024	48,763	57,979
TOTAL	**540,928**	**368,025**	**635,916**	**393,863**

NOTE 12 Debts to credit institutions

	December 2019		December 2018	
In thousands of euros	Demand	Term	Demand	Term
Debts to credit institutions	200,576	266,389	115,496	275,188
Related *debts*	33	1,968	365	2,210
TOTAL	**200,608**	**268,357**	**115,861**	**277,399**

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2019
Maturity of loans due to credit institutions	41,138		154,514	70,737	266,389

NOTE 13 Transactions with customers

	December 2019		December 2018	
In thousands of euros	Demand	Term	Demand	Term
Accounts payable, customers	1,657	-	1,690	-
Related debts	-	-	-	-
TOTAL	**1,657**	**-**	**1,690**	**-**

NOTE 14 Debt securities in issue

In thousands of euros	December 2019	December 2018
Negotiable debt securities	100,090	478,458
Bonds	35,409,982	32,979,166
Related debts	400,758	400,742
TOTAL	**35,910,831**	**33,858,366**

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2019
Maturity of debt securities in issue	1,847,640	3,049,672	14,650,302	15,862,368	35,409,982

NOTE 15 Provisions

In thousands of euros	01/01/2019	Provisions	Reversals	Translation adjustment	31/12/2019
Sovereign loans[(1)]	740,990	63,721	58	9	804,660
Performing non-sovereign loans	159,390	26,247	24,293		161,344
Guarantees granted	9,833	5,752	194		15,391
Financing commitments to non-sovereign loans	67,634	43,064	10,093		100,605
Provisions for ARIZ and Proparco guarantees	73,858	14,950	5,197	1,014	84,624
French Overseas Department subsidiary risks	26,962	44	702		26,305
Other risks	10,138	137			10,276
Foreign exchange losses[(1)]	7,923	193	51		8,065
Administrative expenses[(1)]	637				637
Staff costs[(1)]	106,983	8,061	150	-46	114,848
TOTAL	**1,204,349**	**162,170**	**40,739**	**977**	**1,326,758**

(1) These provisions are not recorded in "cost of risk".

NOTE 16 Subordinated debt

In thousands of euros	December 2019	December 2018
Subordinated debt	1,943,000	1,703,000
Lowest-ranked subordinated debt	-	-
Related debts	9	7
TOTAL	**1,943,009**	**1,703,007**

NOTE 17 Reserve for General Banking Risk (RGBR)

In thousands of euros	December 2018	Provisions	Reversal	December 2019
Reserve for General Banking Risk (RGBR)	460,000	-	-	460,000

NOTE 18 Equity excluding RGBR

In thousands of euros	December 2019	December 2018
Provisions	2,807,999	2,807,999
Reserves	2,179,759	2,063,442
Subventions	27,480	31,702
Unallocated income[(1)]	160,141	145,397
TOTAL	**5,175,379**	**5,048,540**

(1) Dividends distributed to the French State in 2019 totalled €29,079,000.

NOTE 19 Assets and liabilities in foreign currencies[1]

In thousands of euros	December 2019	December 2018
Amount of assets denominated in foreign currencies[2]	9,593,054	9,020,434
Amount of liabilities denominated in foreign currencies[2]	7,936,026	7,956,627

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

NOTE 20 Interest and related income

In thousands of euros	December 2019	December 2018
Interest and income on transactions with credit institutions[1]	**502,234**	**457,512**
Interest on loans	301,119	263,964
Interest on short-term investments	3,453	2,279
Income from forward financial instruments	197,661	191,269
Interest and income on transactions with customers[1]	**569,777**	**532,854**
Interest and income on bonds and other fixed-income securities	**20,597**	**23,286**
Short-term investments	3,321	4,428
Investment securities	17,276	18,858
Other interest and similar income	**617,760**	**572,891**
Income from forward financial instruments	617,760	572,891
TOTAL	**1,710,367**	**1,586,542**

(1) The amount of net reversals of provisions for interest on doubtful loans, adjusted for losses on interest on bad loans, was €5,894K at 31 December 2019 compared with €3,912K at 31 December 2018.

In thousands of euros	DOM	Collectivités Pacifique	Étranger
Breakdown of revenue by geographic area:	114,234	1,810	810,755
i.e. total revenue of €926,798 thousand			

NOTE 21 Interest and related expenses

In thousands of euros	December 2019	December 2018
Interest and expenses on transactions with credit institutions	**743,353**	**695,916**
Interest on accounts payable	3,492	4,379
Expenses on forward financial instruments	739,862	691,536
Interest on borrowings	-	-
Interest and expenses on transactions with customers	**522**	**26**
Interest on subordinated debts	522	26
Other interest and expenses on transactions with customers	-	-
Interest and expenses on bonds and other fixed-income securities	**599,420**	**546,130**
Interest on interbank market securities and negotiable debt securities	-1,648	-1,305
Interest on bonds	598,968	545,557
Interest on lowest-ranked subordinated debt	2,100	1,878
Other interest and similar income	**-1,326**	**13,923**
Expenses on forward financial instruments	-1,326	13,923
Interest on allocated public funds	-	-
TOTAL	**1,341,969**	**1,255,994**

NOTE 22 Commission income and expenses

In thousands of euros	December 2019	December 2018
Commission income	133,792	81,390
from subsidies	113,137	65,881
from processing	17,964	11,916
other	2,691	3,594
Commission expenses	766	637

NOTE 23 Gains or losses on investment portfolio transactions

In thousands of euros	December 2019	December 2018
Balance of investment portfolio transactions	-225	-3,898
Capital gains on disposals	38	20
Capital losses on disposals	2,789	2,676
Reversals of provisions for depreciation	2,530	1,051
Provisions for depreciation	4	2,293

NOTE 24 Other income on banking operations

In thousands of euros	December 2019	December 2018
Other income on banking operations	307,992	280,805
Subsidies	229,591	208,439
Other banking income	77,081	66,796
Net foreign exchange gains	1,320	5,570

NOTE 25 Other expenses on banking operations

In thousands of euros	December 2019	December 2018
Other expenses on banking operations	69,702	65,615
Other operating expenses	69,702	65,615
Net foreign currency losses	-	-

NOTE 26 Overheads – Personnel costs

In thousands of euros	December 2019	December 2018
Wages and bonuses	190,233	172,074
Social security expenses	77,880	71,074
Profit sharing	9,817	8,417
Taxes and similar payments on remuneration	17,870	17,145
Provisions/reversal of provisions	7,865	7,735
Rebilling banks' staff	-9,491	-15,030
TOTAL	**294,175**	**261,415**

NOTE 27 Average workforce

Head office and branches (excluding institutions)	Executives	Supervisory staff	Employees Supervisors	Service staff	Stationary staff	Total 2019
	1,706	123	3	1	547	2,379

NOTE 28 Asset impairment

		December 2019			
In thousands of euros	December 2018	Provisions	Reversals	Translation adjustment	Total
Unpaid interest on loans (Notes 3 and 4)	153,177	15,451	13,092	81	155,616
Individualised risk on loans (Notes 3 and 4)	317,841	91,015	26,301	912	383,467
Impairment of equity stakes (Notes 5 and 6)	37,515	10,450	2,946		45,018
Impairment of short-term investments (Note 23)	2,527	4	2,530		1
TOTAL	**511,060**	**116,919**	**44,869**	**992**	**584,102**

NOTE 29 Cost of credit risk(1)

	December 2019			
In thousands of euros	Dotations	Reprises	Total	December 2018
Provisions (Note 15)(1)	90,194	40,479	-49,715	-50,160
Depreciation of principal of doubtful loans (Note 28)	90,972	29,196	-61,777	-18,730
Losses on principal of bad loans	5,926	83	-5,844	-6,332
TOTAL	**187,093**	**69,758**	**-117,335**	**-75,220**

(1) These figures do not include the first line nor the last three lines of Note 15.

NOTE 30 Gains or losses on fixed assets

In thousands of euros	December 2019	December 2018
Gains or losses on financial fixed assets	-5,140	-1,222
Capital gains and losses	2,364	1,875
Provisions/reversals for depreciation	-7,503	-3,097
Gains or losses on other fixed assets	-22	-75
TOTAL	**-5,161**	**-1,296**

NOTE 31 Exceptional income

In thousands of euros	December 2019	December 2018
Exceptional gains	158	3,308
Exceptional losses	404	9,531
TOTAL NET	**-247**	**-6,223**

NOTE 32 Other off-balance sheet commitments

In thousands of euros	December 2019	December 2018
Guarantee commitments received from the French State on loans	4,645,686	4,128,610
Guarantee commitments received from credit institutions	290,861	332,990
Guarantee commitments made to credit institutions	30,834	23,480
Guarantee commitments given on securities	84,386	167,478
Guarantee commitments made to customers	2,517,515	2,327,416

NOTE 33 Commitments on forward financial instruments excluding IMF transactions[1]

	December 2019		December 2018	
In thousands of euros	notional	value[2]	notional	value[2]
Outright transactions				
Interest rate swaps (hedging transactions)	-41,974,188	749,903	-36,060,958	425,429
Currency swaps (hedging transactions)	32,689,252	-139,671	31,556,417	114,153
Commitments received	16,351,938		15,847,114	
Commitments given	16,337,314		15,709,303	
Other instruments (hedging transactions)				
Options	-285,556	375	-337,587	1,701

(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.

In thousands of euros	Less than 1 year	From 1 to 5 years	More than 5 years	Total 2019
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	1,127,500	12,257,268	28,589,420	41,974,188
Currency swaps	6,754,850	10,608,557	15,325,845	32,689,252
Commitments received	3,448,372	5,334,779	7,568,787	16,351,938
Commitments given	3,306,478	5,273,778	7,757,058	16,337,314
Options	0	57,613	227,942	285,556

NOTE 34 Valuation of forward financial instruments excluding IMF transactions by issuer rating[1]

Banking counterparty rating	December 2019 Value [2]	December 2018 Value [2]
AAA	-	-
AA	60,777	118,669
A	784,645	581,647
BBB	4,306	127,319
NR	-1,015	-2,551
TOTAL	**848,714**	**825,084**

(1) Counterparty risk on derivatives related to the financing of IMF transactions is covered by the overall guarantee granted to AFD by the French State for this purpose.
(2) Replacement cost is represented by the net gain on market values, including accrued interest. If the balance is negative, the cost is zero.

NOTE 35 Investments held in managed funds[1]

Fund source	Number of equity stakes	Purchase price
Caisse d'investissement des DOM (CIDOM)	2	1,330
Fonds d'investissement et de dévelop. économique et social (FIDES)	5	642
Fonds d'investissement des DOM (FIDOM)	6	236
Other Government resources	4	7,592
TOTAL	**17**	**9,800**

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

NOTE 36 Remuneration of executive officers

Gross annual compensation allocated to corporate officers is €356,428.

NOTE 37 Corporate income tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments, as well as AFD's refinancing 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.

7.4 AFD's financial results over the last five financial years

	2019	2018	2017	2016	2015
Capital + Retained earnings + Income *(in millions of euros)*	5,148	5,017	4,794	4,607	2,097
Net banking income *(in millions of euros)*	750	637	568	539	533
Net income *(in millions of euros)*	160	145	215	138	180
Net income/capital + retained earnings + income	3.11%	2.90%	4.48%	3.00%	8.58%
Net income/balance sheet total	0.33%	0.32%	0.52%	0.37%	0.51%
Staff					
Number of employees (average)	2379	2187	1978	1811	1,715
Total payroll costs *(in millions of euros)*	294	261	236	210	194
of which social and cultural initiatives *(in millions of euros)*	21.4	19.5	20.6	16.3	13.0

7.5 Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2019

To the board of directors of Agence Française de Développement,

Opinion

In compliance with the engagement entrusted to us by board of directors, we have audited the accompanying financial statements of Agence Française de Développement for the year ended December 31, 2019. These financial statements were approved by the Chief Executive Officer on February 26, 2020 based on information available at that date regarding the evolving context of Covid-19's sanitary crisis.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- issuance of a comfort letter;
- KPMG S.A. mandatory statement on the « Climate Bond » issue;
- KPMG S.A. report on the consolidated social, environmental and societal information contained in the AFD's management report;
- statutory Auditor's Report of Factual Findings resulting from agreed-upon procedures performed with respect to compensation paid within a project in Tchad financed by AFD;
- human Ressources support services provided by Carewan, a KPMG department;
- report by KPMG S.A., the statutory auditor of FISEA S.A.S., on the issuance of preference shares with preferential subscription rights;
- reports by KPMG S.A., the statutory auditor of PROPARCO S.A., on the annual financial statements as at 31.12.2018 of the Africa Renewables Energy Scale Up and Transferability and Convertibility facilities, financial instruments managed by PROPARCO S.A.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the aforementioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Identification and assessment of credit risk

RISK IDENTIFIED

The Agence Française de Développement Group is exposed to credit and counterparty risks.

These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD or its subsidiaries.

Your Agency is booking provisions to cover those risks on non-sovereign loans. These are estimated as follows:

- since January 1, 2018, the provision calculation for performing and nonperforming non-sovereign exposure has been based on an anticipated loss model which, in addition to the outstandings, now takes into account the performing commitments signed and the undisbursed balances of the corresponding loans. This method involves calculating expected losses based on changes in credit risk since the outset and using a model which incorporates several parameters (probability of default, loss rate in the event of default, exposure in default, rating).
- AFD also calculates impairments on exposures in default. These are calculated individually and correspond to the difference between the book value of the asset and the discounted value of future cash flows recoverable on maturity after guarantees have come into play. They are determined individually on the basis of assumptions such as the counterparty's financial position, the corresponding country risk, the valuation of any guarantees, and expected future cash flows.

We consider that the credit risk assessment and the impairment/provisions calculation are a key audit matter as they correspond to significant accounting estimates, as they require Management to exercise its judgement when making the assumptions and classifying the exposure.

As a result, there is a risk that the bases for provisions identified are not exhaustive and the impairment/provisions created do not adequately cover the credit risk of the portfolio.

As at December 31, 2019, AFD's annual financial statements include €539 million for impairment of assets and €362 million in provisions for liabilities as indicated in Notes 2.3, 2.10, 3.3, 3.4, 3.15, 3.28 and 3.29 to the annual financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

To assess the reasonableness of the provisions booked, we:

- reviewed provision evaluation process and the internal control procedures governing them;
- reviewed the governance of the provisioning processes;
- verified the consistency of data between the risk management with the accounting data;
- assessed the consistency of changes in provisions, receivables and cost of risk.

When the provision was calculated on a collective basis, we put in place the following substantive procedures:

- checking the bases are exhaustive and the classification rules have been correctly applied;
- checking the consistency of the parameters applied in the calculation method and any updates in line with the methodology principles validated;
- verification of the arithmetical accuracy of the calculations made;

When the provision was determined on an individual basis, our work consisted of:

- testing the underlying assumptions and data used by Management to estimate impairments using credit file samples;
- verifying the correct implementation of the decisions made during Risk Committee meetings.
- ensuring that the downgrading rules for outstandings were not changed compared to the previous financial year.

We also made sure that the downgrading rules for doubtful receivables were not changed compared to the previous year and were correctly applied throughout the financial year.

Valuation of equity stakes

RISK IDENTIFIED

The Agence Française de Développement holds equity stakes as detailed in Notes 2.5, 3.5, 3.6, 3.8, 3.28 and 3.30 to the annual financial statements.

These securities are recorded at their acquisition cost. These assets are impaired when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company particularly on conditions in its country) or its stock market valuation, as the case may be, is lower than the acquisition cost.

Due to the limited availability of market data, the valuation of some of these financial instruments requires the exercise of judgment by management for the selection of the valuation method and parameters to be used.

We considered the valuation of equity stakes to be a key audit matter, given:

- the significant impact of the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the sensitive nature of the parameters used for Management's assumptions;

As at December, 31, 2019, AFD's equity portfolio net value is €873 million including €719 million in related parties as indicated in Notes 3.5 and 3.6 to the annual financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

In this context, our work consisted of:

- reviewing all securities with an objective indicator of impairment to ensure the accuracy and completeness of the recorded impairments;
- verifying the accounting / management reconciliation for the equity portfolio;
- reconciling, on the basis of sampling, the valuation of securities with the external documentation that justified it.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO THE BOARD OF DIRECTORS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements, except for the below mentioned observation. Regarding the events that occurred and elements that have been known since the date the financial statements were approved and in relation to the effects of Covid-19's crisis, management informed us that this would be subject to a specific communication addressed to the board of directors called to vote on said financial statements.

The sincerity and consistency of the information relating to the payment terms mentioned in Article D.441-4 of the French Commercial Code (Code de Commerce) with the financial statements lead us to report the following observation: as indicated in the management report, this information does not include banking operations, as your company considers that they do not fall within the scope of the information to be produced.

We attest that the non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fairness nor the compliance with the annual accounts of the information contained in this statement and which are subject to a report of an independent third-party.

Information with respect to the corporate governance

We attest the existence, in the Management Report section on corporate governance, of information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by, or attributed to, the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlled by you and which are included in the scope of consolidation. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 30, 1996 for Mazars.

As at December 31, 2019, KMPG S.A. was in the 18th year of total uninterrupted engagement, and Mazars was in the 24th year of total uninterrupted engagement, of which 18 and 21 years since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting principles as adopted in the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Chief Executive Officer.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

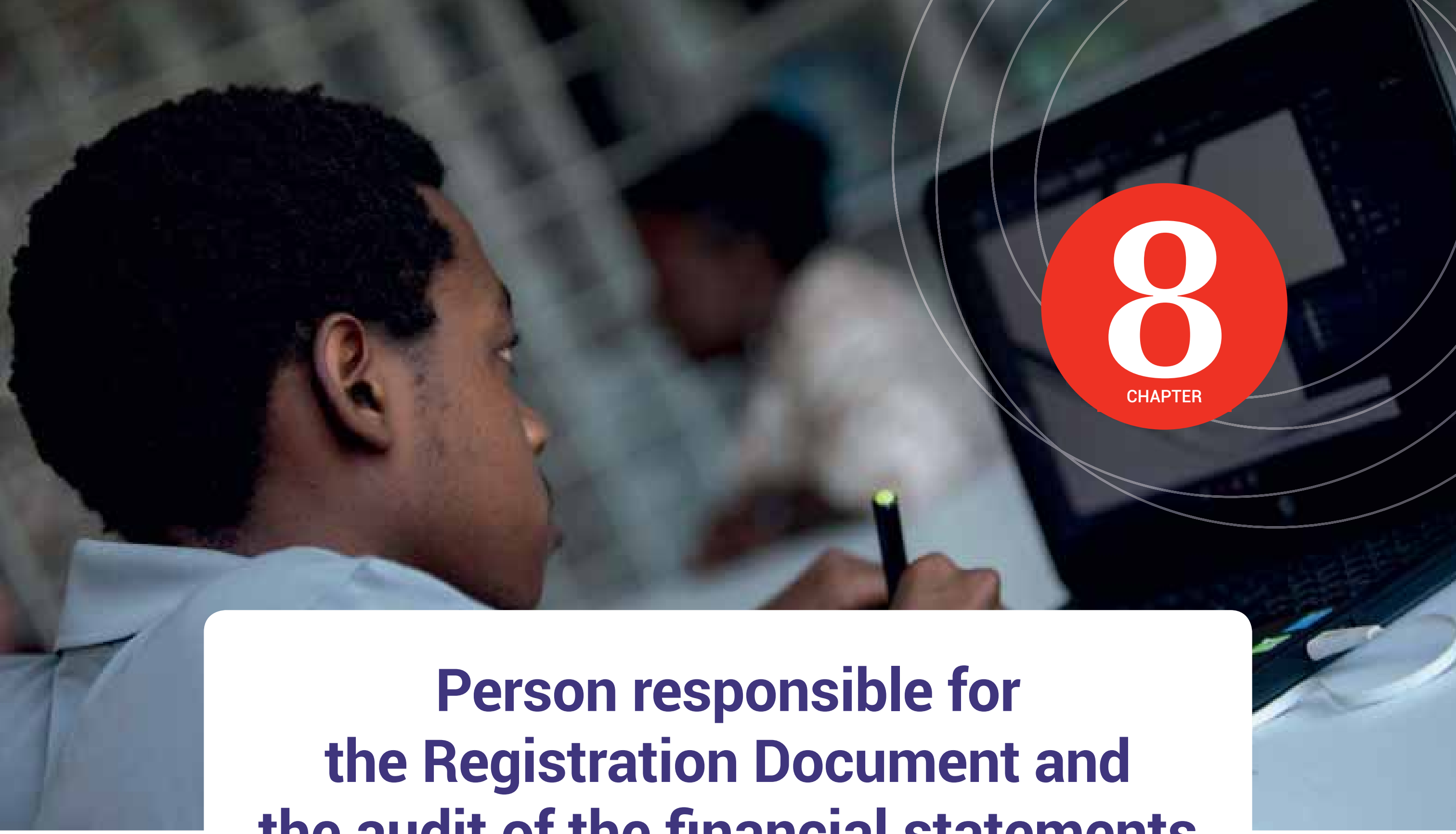
We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.82210 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, March 27, 2020

The auditors,
French original signed by

KPMG S.A.
Pascal Brouard
Partner

MAZARS
Jean Latorzeff
Partner



8

CHAPTER

Person responsible for the Registration Document and the audit of the financial statements

8.1 Name and position

Philippe Bauduin, Deputy Chief Executive Officer

8.2 Certification of the person responsible

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.

Paris, 20 April 2020
Deputy Chief Executive Officer
Philippe Bauduin

8.3 Name, Address and Qualification of the Financial Statements' statutory auditors

	For 2016 financial year		For 2017 financial year		For 2018 financial year		For 2019 financial year	
Name	Mazars	KPMG Audit	KPMG Audit	Mazars	KPMG Audit	Mazars	KPMG Audit	Mazars
Represented by	Max Dongar	Pascal Brouard	Pascal Brouard	Nicolas De Luze	Pascal Brouard	Nicolas De Luze	Pascal Brouard	Jean Latorzeff
Address	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 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	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles

8.4 Information Policy

Françoise Lombard

Director of the Executive Finance Department

Tel.: +33 (0)1 53 44 40 14

Additional information

9.1 Cross-reference table of the management report

Management Report Reference	Registration Document Reference	URD Reference
1.	**About AFD Group**	
1.1	General information	1.1
1.2	AFD Group's 2018-2022 strategy	1.2
1.3	AFD operations	1.3
1.4	Financing activities on its own behalf	1.4
1.5	AFD Group	1.5
1.6	Activities of Agence Française de Développement Group in 2019	1.6
2.	**Report on corporate governance and internal control**	
2.1	Report on corporate governance	3.1
2.2	Internal control procedure and organisation of the audit trail (Art. L.222-100-1 5°)	4.3.2
3.	**Presentation of the consolidated financial statements**	**5.3**
3.1	Consolidated balance sheet *(in millions of euros)*	5.3.1
3.2	Consolidated income statement	5.3.2
4.	**Risk management**	
4.1	Risk factors	4.1
4.2	Main hedges	6.2.5.3, 6.2.5.4
5.	**Statement of Non-Financial Performance**	**2**
5.1	The business model	2.1
5.2	Identification of the main non-financial challenges and risks	2.2
5.3	Managing the risks and impacts of our action	2.3
5.4	Contribution of the Group's activity to sustainable development	2.4
5.5	Transparency and dialogue with stakeholders	2.5
5.6	Coordination with development players: the "automatic switch to partnership"	2.6
5.7	Fair practices	2.7
5.8	A meaningful work environment	2.8
6.	**Recent changes and future prospects**	**5.1**
6.1	Recent changes	5.1.1
6.2	Future prospects	5.1.2
6.3	Borrowings	5.1.3
7.	**Post-closing events**	**5.2**
Appendix 1	**AFD's operating region**	**9.5**
Appendix 2	**AFD simplified balance sheet based on French GAAP**	**9.6**
Appendix 3	**AFD income statement using French standards (simplified)**	**9.7**
Appendix 4	**Key ratios and indicators**	**9.8**
Appendix 5	**Results of operating activities for the last 5 financial years**	**9.9**
Appendix 6	**AFD approvals**	**9.10**
Appendix 7	**Summary table of AFD's and Proparco's loans in foreign countries**	**9.11**
Appendix 8	**Table of Proparco's approvals**	**9.12**
Appendix 9	**Note on theStatement of Non-Financial Performance methodology**	**9.13**
Appendix 10	**Statement of Non-Financial Performance appendices**	**9.14**

9.2 Incorporated by reference

Pursuant to Article 19 of the Regulation (EU) 2017/1129 of 14 June 2017, the following information is incorporated by reference into this Universal Registration Document:

- the parent company and consolidated financial statements for the year ended 31 December 2017, set out on pages 135 to 156 and 89 to 125 respectively, the related Statutory Auditors' reports, pages 157 and 126 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 1 to 64 and 79 to 82 of the Registration Document submitted to the AMF on 24 April 2018 under Number D18-0375.
- the parent company and consolidated financial statements for the year ended 31 December 2018, set out on pages 179 to 204 and 99 to 166 respectively, the related Statutory Auditors' reports, pages 205 and 167 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 70 and 89 to 97 of the Registration Document submitted to the AMF on 25 April 2019 under Number D19-0388.

A description of the type of transactions carried out and the main activities for financial year 2017, on pages 5 to 7 of the 2017 Registration Document submitted to the AMF on 24 April 2018 under the reference no. D18-0375.

A description of the type of transactions carried out and the main activities for financial year 2018, on pages 12 to 14 of the 2018 Registration Document submitted to the AMF on 25 April 2019 under the reference no. D19-0388.

9.3 Cross-reference table of the universal registration document

9.3.1 Headings of appendix II of regulation 2017/1129 ("Prospectus 3")

		Reference of the 2019 Universal Registration Document
I.	**Identity of directors, members of the management, advisers and statutory auditors**	**3.1; 8.3**
II.	**Important information about the issuer**	
	A. Selected financial information	5; 6; 7
	B. Shareholders' equity and debt (only for equity capital)	4.2.4; 1.4
	C. Risk factors linked to the issuer	4.1
III.	**Information about the company**	
	A. History and development of the company	1.1.1
	B. Overview of activities	1.3
	C. Organisation chart	1.5.1
	D. Real estate, factories and equipment	6.2.4.1 (Note 7), 6.2.3.2.5
IV.	**Review of financial position and prospects**	
	A. Operating income	5; 6; 7
	B. Cash and capital	4.2.4; 6.2.3.2.9; 1.4
	C. Research and development, patents and licences	N/A
	D. Trends	5.1.2, 5.1.4
V.	**Directors, members of the management and employees**	
	A. Directors, members of the management	3.1.1, 3.1.2, 3.1.3
	B. Remuneration	3.2
	C. Practices of the administrative and management committees	3.1
	D. Employees	2.8.3; 3.1.4; 3.2.2.2 ; Appendix 5 ; Appendix 10.2
	E. Shareholding	N/A

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VI.	**Main shareholders and transactions with related parties**	
	A. Main shareholders	N/A
	B. Transactions with related parties	6.2.6.3
	C. Interests of experts and advisers	
VII.	**Financial information**	
	A. Consolidated financial statements and other financial information	5; 6; 7
	B. Notable changes	5.1.1, 5.1.5
VIII.	**Additional information**	
	A. Share capital	1.1.2
	B. Memorandum of association and bylaws	1.1.2
	C. Major contracts	N/A (1)
	D. Opinions issued by experts	2.9, 6.3, 6.4, 7.5
	E. Documents available to the public	1.1.1
	F. Additional information	9

(1) No significant contracts were entered into, other than those entered into in the normal course of business.

9.3.2 Cross-reference table between Appendices 1 and 2 of the delegated regulation 2019/980 and the Universal Registration Document

		Reference of the 2019 Universal Registration Document
SECTION 1	**PERSONS RESPONSIBLE, INFORMATION FROM THIRD-PARTIES, EXPERT REPORTS AND APPROVAL OF THE COMPETENT AUTHORITY**	
Point 1.1	Persons responsible	8.1
Point 1.2	Statement of the person responsible	8.2
Point 1.3	Statement or report attributed to a person acting as expert	2.9, 6.3, 6.4, 7.5
Point 1.4	Information from a third-party	2.9, 6.3, 6.4, 7.5
Point 1.5	Approval of the competent authority	1
SECTION 2	**STATUTORY AUDITORS**	
Point 2.1	Name and address of the issuer’s financial statements’ statutory auditors	8.3
Point 2.2	Statutory auditors who resigned due to dismissal or non-renewal of term	(not applicable)
SECTION 3	**RISK FACTORS**	**4.1**
SECTION 4	**INFORMATION ABOUT THE ISSUER**	
Point 4.1	Corporate purpose and commercial name of the issuer.	1.1.1
Point 4.2	Issuer’s place of registration, registration number and legal entity identification (LEI).	1.1.1
Point 4.3	Date of creation and duration of the issuer, where it is not indefinite;	1.1.1
Point 4.4	The issuer’s registered office and legal form	1.1.1
SECTION 5	**OVERVIEW OF ACTIVITIES**	
Point 5.1	Main activities	1.3
Point 5.2	Main markets	1.3

Point 5.3	Important events in the development of the issuer's activities.	1.6
Point 5.4	Financial and non-financial strategy and objectives	1.2
Point 5.5	Degree of dependence on industrial, commercial or financial patents, licenses or contracts	Not applicable
Point 5.6	Competitive position	1.2 ; 1.3
Point 5.7	Investment	7.1.5
SECTION 6	**ORGANISATIONAL STRUCTURE**	
Point 6.1	Description of the group of which the issuer is possibly a part	1.5
Point 6.2	List of the issuer's major subsidiaries	1.5
SECTION 7	**REVIEW OF THE FINANCIAL POSITION AND RESULTS**	
Point 7.1	Financial position	5 ; 6 ; 7
Point 7.2	Ordinary income	5 ; 6 ; 7
SECTION 8	**CASH AND CAPITAL**	
Point 8.1	Short-term and long-term capital	4.2.4
Point 8.2	Source and amount of cash flows	6.2.3.2.9
Point 8.3	Financing requirements and structure	1.4
Point 8.4	Restriction in the use of capital	1.3.6
Point 8.5	The expected sources of financing that will be required to honour the commitments referred to in point 5.7.2.	N/A
SECTION 9	**REGULATORY ENVIRONMENT**	**4.2**
SECTION 10	**INFORMATION ABOUT TRENDS**	**5.1.2, 5.1.4**
SECTION 11	**EARNINGS FORECASTS OR ESTIMATES**	**N/A**
SECTION 12	**ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE BODIES**	
Point 12.1	Information about members of the administrative, management or supervisory bodies	3.1.1, 3.1.2, 3.1.3
Point 12.2	Conflicts of interest	3.1.3
SECTION 13	**COMPENSATION AND BENEFITS**	
Point 13.1	Value of remuneration and benefits in kind	3.1.4, 3.1.5, 3.2, 6.2.4 (Note 16), 6.2.4.3, 7.3 (Notes 26 et 36)
Point 13.2	Total amount of the sums provisioned for pensions and retirement	6.2.3.2.6, 6.2.4.3, 7.2.10
SECTION 14	**OPERATION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**	
Point 14.1	The end of that person's current mandate, where applicable, and the period during which he or she remained in office.	3.1
Point 14.2	Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or to any of its subsidiaries and providing for the grant of benefits at the end of such a contract, or an appropriate statement attesting to the absence of such benefits	3.1.3 ; 3.1.6.7
Point 14.3	Information about the audit committee and the compensation committee	3.1.3, 4.3.1
Point 14.4	Statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to it	3.1.6 ; 7.5
Point 14.5	Potential significant impact on corporate governance, including future changes in the composition of the administrative and management bodies and committees (to the extent that this has already been decided by the administrative and management bodies and/or the shareholders' meeting).	3.1.3

SECTION 15	**EMPLOYEES**	
Point 15.1	Number of employees	1.6.2 ; Appendix 5 ; Appendix 10.2
Point 15.2	Equity stakes and stock options	2.8.3, 3.1.4, 3.2.2.2
Point 15.3	Employee Profit Share Agreement	N/A
SECTION 16	**MAIN SHAREHOLDERS**	
Point 16.1	Name of any person owning a percentage of the issuer's share capital or voting rights to be notified	1.1.2 ;1.1.3
Point 16.2	Main shareholders and voting rights	1.1.2 ;1.1.3
Point 16.3	Information on issuer control	1.1.1
Point 16.4	Description of agreements that could lead to a change of control	N/A
SECTION 17	**TRANSACTIONS WITH RELATED PARTIES**	**6.2.6.3**
SECTION 18	FINANCIAL INFORMATION ABOUT THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND INCOME	
Point 18.1	Historical financial information.	5 ;6 ;7
Point 18.2	Interim and other financial information	N/A
Point 18.3	Audit of annual historical financial information	6.3, 6.4, 7.5
Point 18.4	Pro forma financial information	5 ;6 ;7
Point 18.5	Dividend policy	1.1.5, 6.1.5
Point 18.6	Legal and arbitration proceedings	4.3.6.2
Point 18.7	Significant change in the issuer's financial position	5.1.1, 5.1.5
SECTION 19	**ADDITIONAL INFORMATION**	
Point 19.1	Share capital	1.1.2
Point 19.2	Memorandum of association and bylaws	3.1.2, 3.1.6
SECTION 20	**MAJOR CONTRACTS**	**N/A**(1)
SECTION 21	**AVAILABLE DOCUMENTS**	**1.1.1**

(1) No significant contracts were entered into, other than those entered into in the normal course of business.

9.4 Cross-reference table of the CRR articles and the Pillar III report tables

CRR Article	Title		Paragraph
435	Risk management objectives and policies		
	Risk management objectives and policies for each risk category	a/	6.2.6, 4.3.1
		b/	6.2.6, 4.3.1
		c/	6.2.6
		d/	4.2.5.1.3
		e/	8.2
		f/	8.2
	Corporate governance system	a/	3.1
		b/	3.1
		c/	3.1
		d/	3.1, 4.3.1, 6.2.5.1
		e/	3.1
436	Access to the activity of credit institutions and supervisory review of credit institutions and investment companies	a/	1.1 ; 4.2.3.1
		b/	4.2.2.2
		c/	4.2.2.2
		d/	n/a
		e/	n/a
437	Capital	a/	4.2.3
		b/	4.2.3
		c/	4.2.3
		d/	4.2.3.1
		e/	4.2.3.1
		f/	n/a
438	Capital requirements	a/	4.2.3.2
		b/	4.2.3.2
		c/	4.2.3.2
		d/	4.2.3.2
		e/	n/a
		f/	4.2.3.2
439	Counterparty credit risk exposure	a/	6.2.5.1
		b/	4.2.4.1.3
		c/	n/a
		d/	n/a
		e/	4.2.4.1.1.2
		f/	4.2.4.1.2
		g/	n/a
		h/	n/a

CRR Article	Title		Paragraph
		i/	n/a
440	Capital cushions		n/a
441	Systemic global importance indicators		n/a
442	Adjustments for credit risk	a/	6.2.3.2
		b/	6.2.3.2
		c/	4.2.4.1.1.1
		d/	4.2.4.1.1.2
		e/	4.2.4.1.1.2
		f/	4.2.4.1.1.3
		g/	4.2.4.1.1.4
		h/	4.2.4.1.1.4
		i/	4.2.4.1.1.5
443	Unencumbered assets		n/a
444	Use of ECAI		4.2.4.1.2
		a/	4.2.4.1.2
		b/	4.2.4.1.2
		c/	4.2.4.1.2
		d/	4.2.4.1.2
		e/	4.2.4.1.2
445	Market risk exposure		n/a
446	Operational risk		n/a
447	Non-trading book equities exposure	a/	6.2.3.2
		b/	4.2.4.1.1.2 & Note 3 of financial statements
		c/	4.2.4.1.1.2 & Note 3 of financial statements
		d/	4.2.4.1.1.2 & Note 3 of financial statements
		e/	4.2.4.1.1.2 & Note 3 of financial statements
448	Interest rate risk exposure for non-trading portfolio positions	a/	6.2.5.2
		b/	6.2.5.3
449	Securitisation exposure		n/a
450	Compensation policy		3.2
		b/	3.2
		c/	3.2
		d/	n/a
		e/	n/a

CRR Article	Title		Paragraph
		f/	n/a
		g/	3.2 and Note 10.2
		h/	3.1
		i/	n/a
		j/	3.1
			3.1
			3.1
451	Leverage	a/	n/a
		b/	n/a
		c/	n/a
		d/	n/a
		e/	n/a
			n/a
452	Use of NI approach for credit risk		n/a
453	Use of credit risk mitigation techniques	a/	4.2.4.1.3
		b/	4.2.4.1.3
		c/	4.2.4.1.3
		d/	4.2.4.1.3
		e/	4.2.4.1.3
		f/	4.2.4.1.3
		g/	4.2.4.1.3
454	Use of advanced measurement approaches for operating risk		n/a
455	Use of internal market risk models		n/a

9.5 Appendix 1 – AFD's operating region

Sub-Saharan Africa

South Africa	Ex PSZ – countries in the Priority Solidarity Zone
Angola	Ex PSZ
Benin	Ex PSZ
Botswana	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Burkina Faso	Ex PSZ
Burundi	Ex PSZ
Cameroon	Ex PSZ
Cape Verde	Ex PSZ
Central African Rep.	Ex PSZ
Comoros	Ex PSZ
Rep. Congo	Ex PSZ
Dem. Rep. Congo	Ex PSZ
Côte d'Ivoire	Ex PSZ
Djibouti	Ex PSZ
Eritrea	Ex PSZ
Ethiopia	Ex PSZ
Gambia	Ex PSZ
Gambia	Ex PSZ
Ghana	Ex PSZ
Guinea	Ex PSZ
Equatorial Guinea	Ex PSZ
Guinea-Bissau	Ex PSZ
Kenya	Ex PSZ
Liberia	Ex PSZ
Madagascar	Ex PSZ
Malawi	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Mali	Ex PSZ
Mauritius	The Cicid meeting of 14 February 2002
Mauritania	Ex PSZ
Mozambique	Ex PSZ
Namibia	Ex PSZ
Niger	Ex PSZ
Nigeria	Ex PSZ
Uganda	Ex PSZ
Rwanda	Ex PSZ
Sao Tome and Principe	Ex PSZ
Senegal	Ex PSZ
Seychelles*	The Cicid meeting of 14 February 2002
Sierra Leone	Ex PSZ
Sudan	Ex PSZ
Southern Sudan	South Sudan was included in the Ex-PSZ
Tanzania	Ex PSZ
Chad	Ex PSZ

Togo	Ex PSZ
Zambia	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Zimbabwe	Ex PSZ

* *Countries of the regional cooperation mandate.*

The Middle East and North Africa (MENA)

Algeria	Ex PSZ
Albania	The Cicid meeting of 8 February 2018
Bosnia and Herzegovina	Cosec-Cicid meeting of 19 June 2018
Egypt	MAE/Minefi letter of 12 December 2003
Iraq	MAE/Minefi letter of 6 August 2010
Jordan	MAE/Minefi letter of 12 December 2003
Kosovo	Cosec-Cicid meeting of 19 June 2018
Lebanon	Ex PSZ
Libya	MAE/Minefi letter of 2 April 2012
Macedonia	Cosec-Cicid meeting of 19 June 2018
Morocco	Ex PSZ
Montenegro	Cosec-Cicid meeting of 19 June 2018
Serbia	The Cicid meeting of 8 February 2018
Syria	MAE/Minefi letter of 12 December 2003
Palestinian areas	Ex PSZ
Tunisia	Ex PSZ
Turkey	MAE/Minefi letter of 12 December 2003
Yemen	Ex PSZ

Asia and Pacific

Afghanistan	Included in the list of Ex-PSZ countries according to the 29 January 2004 letter from the regulators
Armenia	MAE/Minefi letter of 2 April 2012
Azerbaijan	MAE/Minefi letter of 2 April 2012
Bangladesh	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Cambodia	Ex PSZ
China	MAE/Minefi letter of 12 December 2003
Cook Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Fiji*	The Cicid meeting of 28 January 1999 and 14 February 2002
Georgia	MAE/Minefi letter of 2 April 2012
India	The Cicid meeting of 19 June 2006 (experimental basis)
Indonesia	MAE/Minefi letter of February 2005 (post-tsunami), followed by the Cicid meeting of 19 June 2006
Kazakhstan	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Kiribati*	The Cicid meeting of 28 January 1999 and 14 February 2002
Laos	Ex PSZ
Marshall Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Federal states of Micronesia*	The Cicid meeting of 28 January 1999 and 14 February 2002
Myanmar (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)
Nauru*	The Cicid meeting of 28 January 1999 and 14 February 2002
Niue*	The Cicid meeting of 28 January 1999 and 14 February 2002

Uzbekistan	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Pakistan	Joint MAE/Minefi decree of 25 January 2006 (post-earthquake for 3 years), then CICID meeting of 19 June 2006
Papua New Guinea*	The Cicid meeting of 28 January 1999 and 14 February 2002
Palau	CICID meeting of 08 February 2018 with a special climate change adaptation/biodiversity protection remit Philippines
Philippines	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Solomon Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Samoa*	The Cicid meeting of 28 January 1999 and 14 February 2002
Sri Lanka	MAE/Minefi letter of February 2005 (post-tsunami), followed by the Cicid meeting of 5 June 2009 and then by the MAE/Minefi letter of 2 April 2012
Tokelau territory*	The Cicid meeting of 28 January 1999 and 14 February 2002
Thailand	MAE/Minefi letter of 12 December 2003
East Timor	CICID meeting of 08 February 2018 with a special climate change adaptation/biodiversity protection remit Philippines
Tonga*	The Cicid meeting of 28 January 1999 and 14 February 2002
Tuvalu*	The Cicid meeting of 28 January 1999 and 14 February 2002
Vanuatu	Ex PSZ
Vietnam	Ex PSZ

* *Countries of the regional cooperation mandate.*

Latin America and Caribbean

Antigua-and-Barbuda*	The Cicid meeting of 14 February 2002
Argentina	MEAE/MINEFI letter of 10 May 2017 (special "green, solidarity-based growth" mandate)
Bolivia	Letter of 5 December 2014 - green, solidarity-based growth
Brazil	Cicid meeting of 19 June 2006
Colombia	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Cuba	MAE/Minefi letter of 16 November 2016
Dominican Rep.*	Ex PSZ
Dominica	The Cicid meeting of 14 February 2002
Ecuador	Letter of 25 September 2014 - green, solidarity-based growth
Grenada*	The Cicid meeting of 14 February 2002
Guyana*	The Cicid meeting of 28 January 1999 and 14 February 2002
Haiti	Ex PSZ
Jamaica*	The Cicid meeting of 28 January 1999 and 14 February 2002
Mexico	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Peru	MAE/Minefi letter of 5 March 2013
Saint Lucia*	The Cicid meeting of 14 February 2002
St-Kitts and Nevis*	The Cicid meeting of 14 February 2002
St-Vincent and the Grenadines*	The Cicid meeting of 14 February 2002
Suriname	Ex PSZ

* *Countries of the regional cooperation mandate.*

List of priority poor countries for the 2018-2019 period

Benin – Burkina Faso – Burundi – Comoros – Djibouti – Ethiopia – The Gambia – Guinea – Haiti – Liberia – Madagascar – Mali – Mauritania – Niger – Central African Republic – Democratic Republic of Congo – Senegal – Chad – Togo.

9.6 Appendix 2 – AFD simplified balance sheet based on French GAAP

AFD simplified balance sheet at 31 December 2019

ASSETS

In millions of euros	2019	2018	Change
Loans (net outstanding)	37,962	35,433	2,530
of which net loans on AFD's own behalf	*34,787*	*32,652*	*2,135*
Gross outstandings	38,328	35,736	2,592
of which loans on AFD's own behalf	*35,152*	*32,955*	*2,197*
of which loans on behalf of the State	*3,175*	*2,780*	*395*
(-) individual impairments	539	471	68
(+) accrued interest	174	168	6
IMF-PRGF transactions	758	1,487	-729
Investment portfolio	713	764	-52
Short-term cash assets	6,004	5,314	691
Equity stakes and other long-term securities	873	759	114
Fixed assets	227	232	-6
Accruals and other assets	1,313	968	345
TOTAL	**47,850**	**44,958**	**2,893**

LIABILITIES

In millions of euros	2019	2018	Change
Market borrowings	35,156	32,378	2,778
Borrowings from French Treasury	1,943	1,703	240
Current accounts	470	394	75
IMF-PRGF transactions	758	1,487	-729
Managed funds and government advances	904	826	78
Accruals and other liabilities	1,685	1,488	197
Provisions	1,327	1,204	122
Capital and retained earnings	5,448	5,331	116
Income for the financial year	160	145	15
TOTAL	**47,850**	**44,958**	**2,893**

9.7 Appendix 3 – AFD simplified income statement based on French GAAP

AFD income statement 2019-2018

Expenses *(in millions of euros)*	2019	2018	Change
Expenses on borrowings	**1,283**	**1,154**	**129**
• Interest on borrowings	571	491	80
• Expenses on *swaps*	716	672	44
• Net foreign exchange balance	-3	-9	6
Miscellaneous financial expenses	**18**	**23**	**-5**
Expenses on IMF-PRGF transaction	**2**	**5**	**-3**
TOTAL BANKING OPERATING EXPENSES	**1,303**	**1,183**	**121**
Net of income from IMF-PRGF transaction	*1,301*	*1,177*	*124*
Net banking income	**750**	**637**	**112**
Overheads	**434**	**387**	**47**
• Staff costs	294	261	33
• Wages and bonuses	190	172	18
• social security contributions and expenses	78	71	7
• Profit sharing	10	8	1
• Taxes and similar payments on remuneration	18	17	1
• provisions for retirement - employee benefits	8	4	4
• Rebilling banks' staff	-9	-11	2
Taxes and similar payments	**7**	**7**	**1**
• Other general expenses	133	119	14
Depreciation/amortisation expenses on property, plant and equipment and intangible assets (net)	33	22	10
Total expenses on non-banking operations	**467**	**409**	**58**
Gross operating income	**283**	**228**	**55**
Cost of risk	**-117**	**-75**	**-42**
Net provisions for impairments for unpaid interest	-65	-22	-43
Net provisions for risk and expenses	**-47**	**-47**	**0**
Loss of principal on bad loans	-6	-6	0
Operating income	**166**	**153**	**13**
Gains or losses on fixed assets	-5	-1	-4
Income from operations	**160**	**152**	**9**
Net exceptional transactions	0	-6	6
Corporate tax	0	0	0
NET INCOME	**160**	**145**	**15**

Income	2019	2018	Change
Income on loans and guarantees	**1,612**	**1,454**	**158**
• Interest and commissions on loans and guarantees	952	869	82
• Income on *swaps*	780	699	82
• Net provisions for unpaid interest	-2	-5	3
• Loss of interest income	-1	-1	0
• Net provisions for sovereign outstandings	-64	-60	-3
• Recoveries on subsidy account for SAL and mixed loan-grants	5	4	1
• Repayment of Proparco margin	-58	-51	-7
Subsidies	**223**	**197**	**26**
Investment income	**17**	**15**	**2**
Income from equity stakes	**10**	**15**	**-5**
Commissions on operations	**119**	**74**	**46**
• AFD fees, donations, SAS, SAL, C2D	97	51	46
• Other commissions	23	23	0
Ancillary income and miscellaneous	**69**	**59**	**10**
Income from IMF-PRGF transaction	**2**	**6**	**-3**
TOTAL INCOME ON BANKING OPERATIONS	**2,053**	**1,820**	**233**
Net of expenses on IMF-ESAF transaction	*2,051*	*1,814*	*237*

9.8 Appendix 4 – Key ratios and indicators

The following data is from AFD's parent company financial statements.

In thousands of euros	2019	2018
Net banking income	**749,784**	**637,438**
Staff costs	39.2%	41.0%
Net banking income		
Cost-to-income ratio	**62.3%**	**64.2%**
General expenses		
Net banking income		
Benefit-cost ratio	**3.2%**	**3.0%**
Net earnings		
Capital and retained earnings		
Efficiency ratio	**0.33%**	**0.32%**
Net earnings		
Balance sheet total		
Staff	**2,379**	**2,187**
Number of employees (average)		
Total payroll costs	294,175	261,415
Of which social and cultural activities	21.4	19.5
Net income	**160,141**	**145,397**
Distributed income	**29,079**	**42,921**

* *Capital and retained earnings exclude the Reserve for general banking risk, or FRBG.*

9.9 Appendix 5 – Results of operating activities for the last 5 reporting years (parent company basis)

	2019	2018	2017	2016	2015
Capital + Retained earnings + Income *(in millions of euros)*	**5,148**	**5,017**	**4,794**	**4,607**	**2,097**
Net banking income *(in millions of euros)*	750	637	568	539	533
Net income *(in millions of euros)*	160	145	215	138	180
Net income/capital + retained earnings + income	3.11%	2.90%	4.48%	3.00%	8.58%
Net income/balance sheet total	0.33%	0.32%	0.52%	0.37%	0.51%
Staff					
Number of employees (average)	2,379	2,187	1,978	1,811	1,715
Total payroll costs *(in millions of euros)*	294	261	236	210	194
of which social and cultural initiatives *(in millions of euros)*	21.4	19.5	20.6	16.3	13.0

9.10 Appendix 6 – AFD approvals

Typology of AFD's approvals

AFD approvals and disbursements by type of loan - Foreign countries

In millions of euros	Approvals 2019	Approvals 2018	Approvals % of the 2018 total	Disbursements 2019	Disbursements 2018	Disbursements % of the 2018 total
1- Ongoing operations	9,827	8,101	99%	4,301	4,260	98%
Loans	**8,256**	**7,308**	**83%**	**3,825**	**3,916**	**88%**
Sovereign concessional loans	5,308	5,179	54%	2,705	2,577	62%
of which loans with direct concessionality	*3,044*	*2,776*	*31%*	*1,553*	*1,053*	*36%*
of which loans with indirect concessionality	*2,264*	*2,403*	*23%*	*1,151*	*1,524*	*26%*
Non-sovereign loans	2,948	2,129	30%	1,120	1,338	26%
of which concessional loans	*889*	*326*	*9%*	*380*	*381*	*9%*
of which non-concessional loans	*2,059*	*1,802*	*21%*	*740*	*957*	*17%*
of which sub-participations granted to Proparco	*502*	*417*	*5%*	*311*	*254*	*7%*
Ongoing grants	**1,515**	**572**	**15%**	**475**	**344**	**11%**
Project and FEXTE grants	1,422	489	14%	379	262	9%
Funding for NGOs	93	83	1%	97	83	2%
Guarantees	**56**	**222**	**1%**	**0**	**0**	**0%**
Equity stakes and other long-term securities	**0**	**0**	**0%**	**0**	**0**	**0%**
2- Mandate-specific operations	62	55	1%	70	53	2%
General budget support (GBS) subsidies	62	55	1%	70	53	2%
Mesofinance actions	0	0	0%			0%
TOTAL FOR FOREIGN COUNTRIES	**9,889**	**8,156**	**100%**	**4,371**	**4,313**	**100%**

AFD approvals and disbursements by type of loan - Overseas

In millions of euros	Approvals 2019	Approvals 2018	Variance 2019/2018 €M	Variance 2019/2018 %
Ongoing operations	884	829	55	7%
Loans	**875**	**820**	**55**	**7%**
Public sector	*712*	*687*	*25*	*4%*
Subsidised loans to local authorities	*544*	*322*	*222*	*69%*
Other loans – public sector	*168*	*365*	*-197*	*-54%*
Private sector	*163*	*133*	*30*	*22%*
Direct financing	*46*	*83*	*-37*	*-45%*
Banks	*117*	*50*	*67*	n.s.
Grants	**7**	**8**	**-1**	**-11%**
Guarantees[(1)]	**2**	**1**	**1**	**n.s.**
Guarantees granted to the public sector	0	0	*0*	
French Overseas Department Fund	0	0	*0*	
SPM and Mayotte guarantee funds	*2*	*1*	*1*	
Equity stakes and other long-term securities	**0**	**0**	**0**	

(1) The guarantees shown above do not include Sogefom approvals (€47.4 million in 2019) or FOGAP approvals (€1.7 million in 2019).

9.11 Appendix 7 – Summary table of AFD's and Proparco's loans in foreign countries

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.

Situation at 31 December 2019 of AFD's and Proparco's loans in foreign countries:

	Disbursements		Outstandings		Undisbursed balance	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
Afghanistan	-	-	-	-	-	-
South Africa	-	98,195	672,177	-	358,701	-
Albania	-	-	-	-	100,000	-
Algeria	-	-	51,786	-	-	-
Angola	10,285	-	10,285	-	247,884	-
Argentina	45,521	93,378	51,431	-	283,610	146,954
Armenia	3,000	-	95,174	-	28,000	-
Azerbaijan	48,774	-	67,238	-	208,421	-
Bangladesh	75,883	-	157,552	-	424,449	-
Benin	4,579	-	24,092	-	281,477	-
Burma	200	3,667	296	-	192,404	-
Bolivia	138,905	-	263,407	-	140,387	-
Botswana	-	-	82	-	16,031	8,906
Brazil	21,247	55,664	1,284,683	-	476,879	-
Burkina Faso	43,102	25,000	203,738	25,000	266,770	-
Burundi	-	-	-	-	-	-
Cambodia	157,867	21,375	371,184	8,909	173,777	-
Cameroon	218,099	13,199	757,050	-	193,273	27,200
Cape Verde	3,219	-	47,993	-	8,468	-
Central African Republic	-	-	153	-	-	-
Chile	-	-	-	-	-	-
China	56,693	17,813	671,161	-	751,121	17,813
Colombia	-	4,252	1,858,915	-	51,719	-
Comoros	-	-	38	-	-	-
Congo	54,457	-	47,045	-	268,008	-
Cook Islands	-	-	-0	-	-	-
Costa Rica	-	-	-	-	133,595	4,082
Côte D'ivoire	80,000	12,500	175,528	-	899,700	60,000
Cuba	1,000	-	4,124	-	120,000	-
Djibouti	404	-	31,210	-	-	-
Dominican Rep.	22,688	4,033	443,981	-	410,543	62,344
El Salvador	-	28,513	-	-	-	-
Egypt	134,831	76,059	793,001	-	916,009	17,813
Ecuador	186,090	86,342	402,122	40,078	417,493	-
Ethiopia	52,375	4,453	206,290	-	356,289	10,000
France	-	-	25,000	-	-	-

	Disbursements		Outstandings		Undisbursed balance	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
Gabon	83,351	7,647	162,153	-	306,538	76,500
Gambia	-	-	-158	-	-	-
Georgia	130,000	13,359	215,000	13,782	58,000	9,000
Ghana	18,438	-	422,743	-	117,563	26,719
Grenada	-	-	21	-	-	-
Guatemala	-	36,783	-	16,744	-	1,069
Guinea	4,482	14,800	33,593	-	145,252	-
Guinea-Bissau	-	-	-	-	-	-
Equator. Guinea	-	-	37	-	-	-
Haiti	-	11,133	-	-	-	3,000
Honduras	-	-	-	-	-	-
Dominica	-	-	16,616	-	-	-
India	189,786	13,644	1,003,682	8,906	785,526	84,610
Indonesia	6,042	12,000	1,408,829	12,000	368,633	25,000
Iraq	-	-	-	-	-	-
Jamaica	-	30,594	-	-	-	-
Jordan	38,842	4,660	744,210	-	522,676	-
Kazakhstan	-	-	-	-	-	-
Kenya	83,223	52,709	831,698	24,314	908,086	39,188
Laos	-	3,741	6,916	-	-	-
Lebanon	15,340	-	49,810	-	235,673	4,453
Liberia	-	-	-	-	-	4,453
Libya	-	-	-	-	-	-
Madagascar	22,195	2,827	74,540	-	120,510	-
Maldives	-	-	11,895	-	-	-
Mali	27,082	-	173,100	-	301,841	-
Morocco	223,081	-	2,014,476	-	1,007,227	-
Mauritius	8,694	-	270,062	-	177,696	25,000
Mauritania	9,463	-	122,346	-	10,180	-
Mexico	46,012	16,266	1,179,915	-	337,919	4,051
Mongolia	-	13,359	-	13,359	-	26,719
Montenegro	-	-	-	-	-	-
Mozambique	6,899	-	180,667	-	37,924	-
Multi countries	270,952	97,328	1,351,991	48,844	1,063,499	211,756
Myanmar (formerly BURMA)	-	-	-	-	-	-
Namibia	-	-	54,176	-	14,976	-
Nepal	-	-	-	-	-	22,266
Nicaragua	-	26,719	-	26,719	-	-
Niger	12,949	16,000	102,184	-	223,859	-
Nigeria	21,483	10,349	321,764	-	1,278,996	12,024
Uganda	16,123	17,813	142,326	-	642,684	-
Uzbekistan	153,769	13,359	153,810	13,404	125,511	-
Pakistan	85,743	-	330,795	-	519,582	-

	Disbursements		Outstandings		Undisbursed balance	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
Panama	-	40,969	-	40,969	-	43,641
Paraguay	-	-	-	-	-	35,625
Peru	35,000	3,778	127,654	3,810	238,594	3,347
Philippines	-	-	363,270	-	318,894	-
Dr Congo	-	-	70,130	-	-	-
Rwanda	13,452	-	16,792	-	4,361	-
Saint Lucia	-	-	2,232	-	-	-
Sao Tome	-	-	-	-	-	-
Serbia	-	-	-	-	-	-
Senegal	173,803	-	843,864	6	609,698	12,803
Seychelles	500	-	10,500	-	16,000	-
Sierra Leone	-	-	-	-	-	-
Somalia	-	-	100,750	-	-	-
Sudan	-	-	-	-	-	-
Southern Soudan	-	-	-	-	-	-
Sri Lanka	31,944	22,266	119,022	-	557,413	53,438
St-Vincent-Gren	-	-	46	-	-	-
Suriname	385	-	31,632	-	16,682	-
Syrian Rep.	-	-	-	-	-	-
Tajikistan	-	2,672	-	2,671	-	2,672
Tanzania	24,838	-	163,332	-	539,088	-
Chad	20,000	-	915	-	-	-
Pales. Auton. Areas	3,000	-	13,434	-	13,352	7,125
Thailand	-	-	7,733	-	-	-
Togo	496	-	931	-	79,504	-
Tunisia	142,720	12,000	857,424	12,000	1,030,517	90,000
Turkey	111,860	6,049	1,104,624	-	271,000	65,000
Uruguay	-	-	-	-	-	-
Ukraine	-	26,001	-	26,001	-	54,037
Vanuatu	-	-	207	-	-	-
Vietnam	120,924	-	828,957	-	393,405	-
Yemen	-	-	1,403	-	-	-
Zambia	2,008	-	72,056	-	82,930	-
Zimbabwe	-	-	-	-	-	-
TOTAL	**3,514,098**	**1,073,270**	**24,832,845**	**337,515**	**21,206,796**	**1,298,606**
AGGREGATE TOTAL	**4,587,368**		**25,170,360**		**22,505,402**	

NB Not restated for IFRS adjustments, forgiven loans, convertible bonds and loans on behalf of Proparco third parties.

9.12 Appendix 8 – Table of Proparco's approvals

9.12.1 Appendix 8.1: part 1

Country	Loans		Equity stakes and other long-term securities		Other investments		Guarantees		Grants		Total	
In millions of euros	**2019**	2 018	**2019**	2018	**2019**	2018	**2019**	2018	**2 019**	2018	**2019**	2018
Benin	-	-	-	-	-	-	0.7	-	-	-	0.7	-
Burkina Faso	25.0	-	-	-	-	-	14.0	-	-	-	39.0	-
Cape Verde	-	-	-	-	-	-	2.0	-	-	-	2.0	-
Côte d'Ivoire	206.0	15.5	-	-	-	-	72.1	-	5.0	-	283.1	15.5
Ghana	27.2	-	-	-	-	-	4.1	-	-	-	31.3	-
Guinea	-	24.0	-	-	-	-	16.4	-	-	-	16.4	24.0
Liberia	4.4	-	-	-	-	-	-	-	-	-	4.4	-
Mali	-	-	-	-	-	-	0.6	-	-	-	0.6	-
Niger	2.3	-	-	-	-	-	-	-	-	-	2.3	-
Nigeria	12.2	77.2	2.7	21.8	-	-	4.7	-	-	-	19.6	98.9
Senegal	40.0	-	-	-	15.0	-	12.2	-	-	-	67.2	-
Togo	-	-	-	-	31.1	-	-	-	-	-	31.1	-
Multi-country West Africa	-	11.0	-	0.0	-	-	-	-	-	-	-	11.0
West Africa	317.1	127.7	2.7	21.8	46.1	-	126.9	-	5.0	-	497.8	149.4
Cameroon	27.2	60.0	-	-	-	-	44.3	-	-	-	71.5	60.0
Congo-Brazzaville	-	-	-	-	-	-	1.2	-	-	-	1.2	-
Ethiopia	10.0	-	-	-	-	-	-	-	-	-	10.0	-
Gabon	76.5	-	-	-	-	-	0.8	-	-	-	77.3	-
Kenya	64.0	19.7	0.4	0.9	0.4	-	-	-	-	-	64.9	20.6
Uganda	-	11.4	-	-	-	-	-	-	-	-	-	11.4
Rwanda	-	-	-	-	-	-	-	-	-	-	-	-
Tanzania	-	-	-	0.2	-	-	-	-	-	-	-	0.2
Multi-country Central and East Africa	-	-	-	10.0	-	-	-	-	-	-	-	10.0
Central & East Africa	177.7	91.2	0.4	11.1	0.4	-	46.3	-	-	-	224.9	102.3
South Africa	-	95.1	-	-	-	-	1.8	-	0.1	-	1.9	95.1
Botswana	9.1	-	-	-	-	-	-	-	-	-	9.1	-
Mozambique	-	-	-	10.0	-	-	1.0	-	-	-	1.0	10.0
Namibia	-	-	-	-	-	-	-	-	-	-	-	-
Swazi land	-	-	-	-	-	-	1.2	-	-	-	1.2	-
Multi-Country Southern Africa	22.6	-	27.2	-	-	-	-	-	-	-	49.8	-
Southern Africa	31.7	95.1	27.2	10.0	-	-	4.0	-	0.1	-	63.0	105.1
Multiple countries Sub-Saharan Africa	-	15.0	-	27.3	-	50.7	-	-	-	-	-	93.0

Country *In millions of euros*	Loans		Equity stakes and other long-term securities		Other investments		Guarantees		Grants		Total	
	2019	2 018	2019	2018	2019	2018	2019	2018	2 019	2018	2019	2018
Algeria	-	-	0.7	-	-	-	-	-	-	-	0.7	-
Egypt	68.1	-	15.0	5.0	-	-	-	-	1.7	-	84.7	5.0
Iraq	-	24.4	-	-	-	-	-	-	-	-	-	24.4
Lebanon	4.5	15.0	-	-	-	-	2.3	-	-	-	6.8	15.0
Morocco	-	-	13.7	16.9	-	1.5	-	-	-	-	13.7	18.4
Mauritania	-	4.0	-	-	-	-	3.0	-	-	-	3.0	4.0
Palestine	7.2	-	13.5	-	-	-	10.4	-	0.4	-	31.5	-
Tunisia	110.0	15.0	-	-	-	-	-	-	-	-	110.0	15.0
Turkey	65.0	20.0	-	-	-	-	-	-	-	-	65.0	20.0
Multi-country North Africa	-	-	40.0	-	-	-	-	-	-	-	40.0	-
North Africa and Mediterranean	254.7	78.4	82.8	21.9	-	1.5	15.7	-	2.1	-	355.3	101.8

9.12.2 Appendix 8.2: part 2

Country *In millions of euros*	Loans		Equity stakes and other long-term securities		Other investments		Guarantees		Grants		Total	
	2019	2 018	2019	2018	2019	2018	2019	2018	2 019	2018	2019	2018
Argentina	102.1	130.2	-	10.0	44.6	-	-	-	-	-	146.7	140.2
Brazil	-	94.9	-	20.5	-	-	-	-	-	-	-	115.4
Colombia	-	-	-	-	-	-	-	-	-	-	-	-
Costa Rica	4.1	34.3	-	-	-	-	-	-	-	-	4.1	34.3
Ecuador	40.8	94.6	-	-	-	44.1	13.6	-	-	-	54.4	138.8
Guatemala	18.2	25.8	-	-	-	-	-	-	-	-	18.2	25.8
Haiti	3.0	22.8	-	-	-	-	-	-	-	-	3.0	22.8
Honduras	-	30.4	-	-	-	-	-	-	-	-	-	30.4
Jamaica	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	26.7	75.0	17.6	-	-	-	-	-	-	-	44.4	75.0
Nicaragua	-	15.1	-	-	-	-	-	-	-	-	-	15.1
Panama	84.8	-	-	-	-	-	-	-	-	-	84.8	-
Paraguay	36.3	-	-	-	-	-	-	-	-	-	36.3	-
Peru	7.3	8.6	-	12.8	-	-	-	-	-	-	7.3	21.3
Dominican Republic	62.7	-	-	-	-	-	-	-	-	-	62.7	-
El Salvador	-	53.0	-	-	-	-	-	-	-	-	-	53.0
Multi-country Latin America and Caribbean	-	17.2	37.5	-	-	-	-	-	-	-	37.5	17.2
Latin America and Caribbean	386.0	601.9	55.2	43.3	44.6	44.1	13.6	-	-	-	499.4	689.2
Armenia	1.5	-	-	-	-	-	-	-	0.0	-	1.5	-

Country *In millions of euros*	Loans		Equity stakes and other long-term securities		Other investments		Guarantees		Grants		Total	
	2019	2 018	2019	2018	2019	2018	2019	2018	2 019	2018	2019	2018
Bangladesh	-	-	-	-	-	-	-	-	-	-	-	-
Burma	-	-	6.3	-	-	-	-	-	-	-	6.3	-
Cambodia	8.9	24.8	-	-	-	-	4.8	-	0.0	-	13.8	24.8
China	18.0	43.2	-	-	-	-	-	-	-	-	18.0	43.2
Georgia	22.7	-	-	-	-	-	-	-	-	-	22.7	-
India	94.0	40.9	13.5	33.2	13.5	-	-	-	-	-	121.1	74.1
Indonesia	37.0	-	-	-	-	-	1.2	-	-	-	38.2	-
Kazakhstan	-	-	-	-	-	-	-	-	-	-	-	-
Laos	-	8.5	-	-	-	-	-	-	-	-	-	8.5
Malaysia	-	-	-	3.3	-	-	-	-	-	-	-	3.3
Myanmar	-	7.0	-	-	-	-	-	-	-	-	-	7.0
Mongolia	39.9	-	-	-	-	-	-	-	-	-	39.9	-
Nepal	22.4	-	-	-	-	-	-	-	-	-	22.4	-
Uzbekistan	13.5	-	-	-	-	-	-	-	-	-	13.5	-
Pakistan	-	-	-	6.0	-	-	-	-	-	-	-	6.0
Philippines	-	-	13.4	-	-	-	-	-	-	-	13.4	-
Thailand	-	-	18.1	-	-	-	-	-	-	-	18.1	-
Sri Lanka	53.5	-	-	-	-	-	-	-	-	-	53.5	-
Tajikistan	5.3	-	-	-	-	-	-	-	-	-	5.3	-
Multi-country Asia	-	-	-	-	-	-	-	-	-	-	-	-
Asia	316.8	124.5	51.4	42.4	13.5	-	6.1	-	0.1	-	387.8	166.9
France's overseas provinces	-	-	-	-	-	-	-	-	-	-	-	-
Madagascar	-	-	-	-	-	-	11.6	-	-	-	11.6	-
Mauritius	25.0	85.7	4.0	-	-	-	-	-	-	-	29.0	85.7
Indian Ocean	25.0	85.7	4.0	-	-	-	11.6	-	-	-	40.6	85.7
Serbia	-	40.0	-	-	-	-	-	-	-	-	-	40.0
Ukraine	81.4	-	-	9.8	-	-	-	-	-	-	81.4	9.8
Europe	81.4	40.0	-	9.8	-	-	-	-	-	-	81.4	49.8
Multi-country	195.1	6.4	95.5	65.3	59.0	-	26.2	-	11.2	-	386.9	71.7
Multi-country	195.1	6.4	95.5	65.3	59.0	-	26.2	-	11.2	-	386.9	71.7
TOTAL	**1,785.5**	**1,265.8**	**319.2**	**252.9**	**163.6**	**96.3**	**250.4**	**-**	**18.4**	**-**	**2,537.1**	**1,615.0**

9.13 Appendix 9 – Note on the Statement of Non-Financial Performance methodology

- **Reporting period**

The data is submitted on an annual basis.

The data collected covers the period from 1 January to 31 December of year N, with the exception of the “Number of “safety” e-learning courses” indicator, for which the data covers the period from 15 January 2019 to 15 January 2020, inclusive.

- **Presentation of main risks**

The material risks for the 4 social/societal, environmental, human rights and anti-corruption categories are identified by cross-referencing the work already carried out in the materiality assessment of the AFD Group’s non-financial challenges with the existing risk map.

The materiality of each of the risks was assessed according to financial criteria (operating cost of the risk materialising), impact, temporality and likelihood of occurrence.

The 2019 Statement of Non-Financial Performance is drawn up on a like-for-like basis relative to 2018 and changes in headings for certain challenges and risks may have been made with a view to clarifying the terminology.

- **Description of the policies applied**

For each material risk, a description of the policies applied to prevent it, identify it and reduce the likelihood of it occurring.

- **Choice of indicators**

Key performance indicators are used to measure the results of the policies mentioned in the above point. These indicators have been selected to provide the most pertinent information on the risks and challenges covered by the policies.

- **Comparability with previous year (N-1)**

Whenever possible, indicators are mentioned for year N and N-1.

- **Reporting and scope of indicators**

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

- **The scopes taken into account are as follows:**
  - Group: AFD, Proparco and French Overseas reserve banks (100% of the Group’s headcount),
  - AFD: AFD head office and local offices (98.1% of the Group’s headcount),
  - Head office: AFD and Proparco head offices (64.4% of the Group’s headcount),
  - AFD head office: AFD head office only, including Marseille site and excluding Proparco (52.6% of the Group’s headcount),
  - AFD Paris head office: AFD head office excluding Marseille site: Barthes, Mistral and Vivacity and Art & Co buildings (51.8% of the Group’s headcount),
  - France: all employees under French law at the head offices and local offices of AFD, Proparco and French Overseas reserve banks, excluding local foreign office staff.

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

- **Consolidation of data and internal control**

SR indicators are produced by AFD’s various departments according to their areas of expertise and are compiled for the management and activity reports. The Strategy, Foresight and Official Relations Department ensures that the information released on indicators is consistent.

- **External audit**

The statutory auditors must certify that the declaration of non-financial performance required by Article L.225-1-1 of the French Commercial Code is effectively included in the management report.

The independent third-party body must be instructed to verify the Statement of Non-Financial Performance. It produces a reasoned opinion on:

  - the declaration’s compliance with the provisions of I and II of Article R.225-105 (presentation and content of the Statement of Non-Financial Performance),
  - the accuracy of the information provided, specifically the policy results including the key performance indicators (3° of I and UU of Article R.225-105).

As permitted by the regulations, AFD has appointed one of its auditors to the independent third-party body.

- **Reasons for excluding mandatory topics**

The following information, listed in Paragraph 2 of title III of Article L.225-102-1 of the French Commercial Code, is not considered to be relevant because of the nature of the AFD Group’s activities: the circular economy, combating food waste, combating food poverty, respect for animal welfare, respect for responsible, fair and sustainable food.

- **Main non-financial performance statement indicators**

Information	Scope	Challenges
% of sovereign projects reported in IATI format	AFD	Transparency of funds granted
Introduction of dialogue on strategy and projects	Group	Dialogue with stakeholders
Complaints management system	AFD Proparco	Dialogue with stakeholders Management of impacts Impact on local communities
Number of complaints received by the AFD complaints management system	AFD	Dialogue with stakeholders Impact on local communities
E&S risk management process over the project cycle	AFD Proparco	Management of impacts Analysis of environmental risks Impact on local communities
Classification of AFD projects according to level of environmental and social risk (in number of projects and amounts granted)	AFD	Management of impacts Analysis of environmental risks
Classification of Proparco projects according to level of environmental and social risk (in number of projects and amounts granted)	Proparco	Management of impacts Analysis of environmental risks
Project amounts allocated to CSO initiatives	AFD	Coordination with development players
Number of CSO projects	AFD	Coordination with development players
Amount of AFD financing approvals using resources from other sponsors	AFD	Coordination with development players
AFD ex ante result indicators	AFD	The activity's impact on Sustainable Development Goals Impact on local communities
Proparco ex ante result indicators	Proparco	The activity's impact on Sustainable Development Goals Impact on local communities
AFD capacity building activities	AFD	Stronger project management
Amount of commitments approvals for specific capacity building tools	AFD	Stronger project management
Initiatives engaged for preventing corruption, fraud, money laundering and the financing of terrorism	Group	Accountability for proper use of the financing granted Compliance(1)
Number of people who validated their AML/CFT training (modules 1 and 2)	Group	Accountability for proper use of the financing granted Compliance(1)
The ethics system	Group	Professional ethics
number of consultations with the ethics adviser	Group	Professional ethics
number of training courses provided by the ethics adviser	Group	Professional ethics
Number of training hours	Group (excluding local employees)(3)	Skills development
Global training effort	Group(4)	Skills development
Training for local employees: number of employees and training hours	Group (local employees only)(5)	Skills development
Collective agreement evaluation	Group(6)	Employee dialogue(2)
Psychological risk management system	Group	Employee dialogue(2)
Number of climate co-benefit projects	Group	Impact on climate change
Amount of climate co-benefit projects	Group	Impact on climate change
Greenhouse gas emissions avoided or reduced	Group	Impact on climate change
Breakdown of AFD's approvals by sector of activity	AFD	Impact on local communities
Number of "safety" e-learning courses	Group	Employee health/safety(1)

(1) Issues not identified in the materiality matrix.
(2) Issue identified in the materiality matrix as transparency of social information.
(3) Chargeable training sessions, SAM AFD/Proparco/IE, Head Office and Network employees, excluding local employees.
(4) All chargeable + non-chargeable training sessions, all AFD/Proparco/IE Head Office and Network employees, including local employees.
(5) Local AFD/Proparco/IE employees, training organised by the HR department at Head Office or in the network.
(6) NB: the scope may differ depending on the agreement.

- **Methodology for calculating ex-ante performance indicators**

Ex-ante or expected indicators present expected outcomes at the time of the ex-ante appraisal of the project. They are, therefore, given before project funding is granted and are aggregated per year of grant.

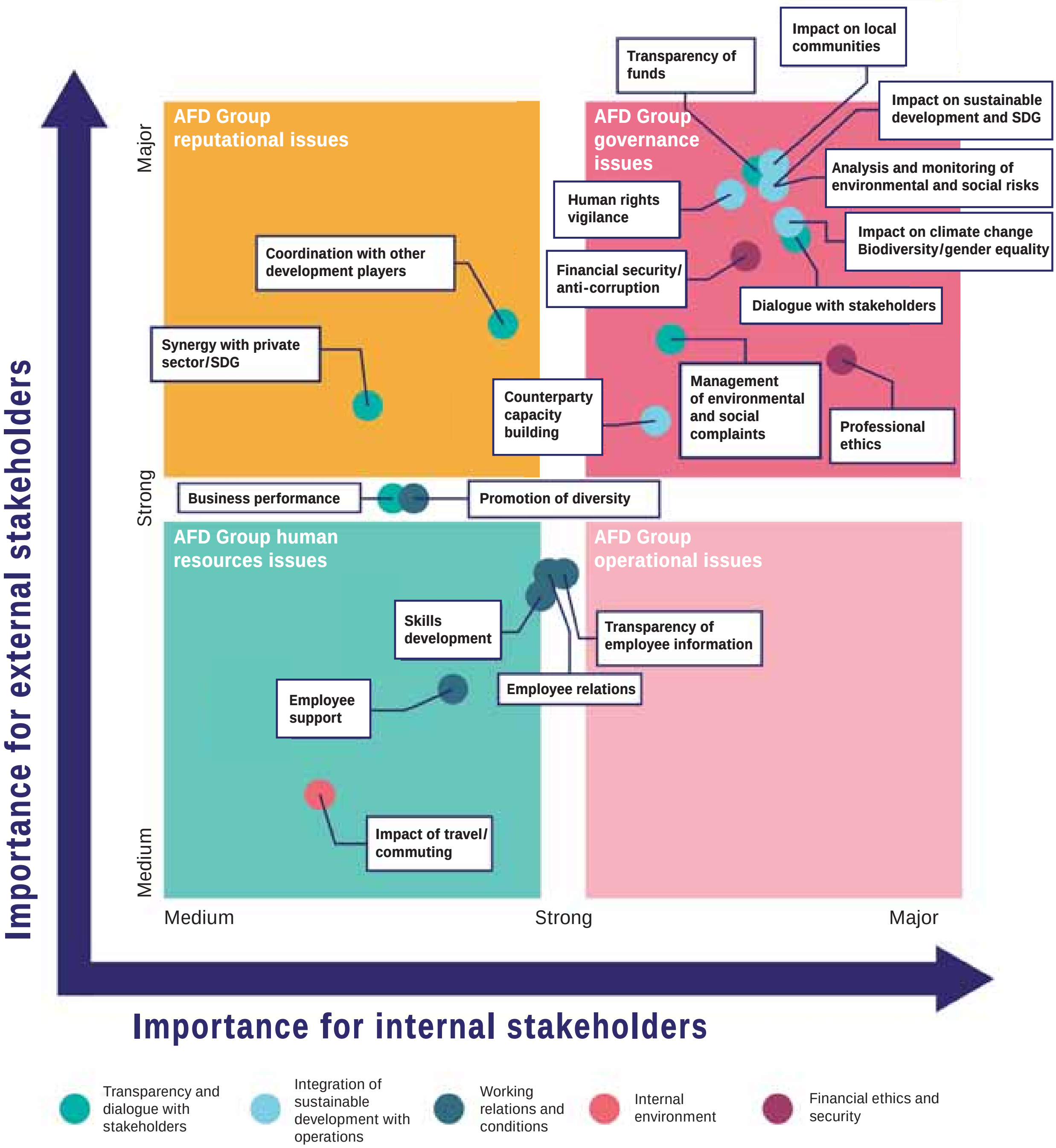
The initial definition of these indicators is that enacted by Act 2014-773 of 7 July 2014 on orientation and programming related to development and international solidarity policy known as LOPDSI (list of indicators in Appendix 2 of said Act): https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029210384&categorieLien=id

The wording of the indicators was amended in 2018 and 2019 for purposes of alignment on the achievement of Sustainable Development Goals (adopted in 2015), with the strategic framework unchanged from that of LOPDSI.

The AFD Group provides methodological notes relating to the production of these indicators and undertakes to publish them in summarised form in this document as from next financial year.

9.14 Appendix 10 – Statement of Non-Financial Performance appendices

9.14.1 Statement of Non-Financial Performance Appendix 1: Materiality matrix



9.14.2 Statement of Non-Financial Performance Appendix 2: HR indicators and information (Act. 2010-788 aka Loi Grenelle II)

TOTAL HEADCOUNT AND EMPLOYEE BREAKDOWN BY GENDER, AGE AND REGION

Total headcount managed by the Group as at December 2019

Employees	End-2017	End-2018	End-2019
Mainland France(1)	1,389	1,576	1,713
Foreign and representation offices in the countries of operation	180	195	234
Technical assistance	2	2	2
Temporary assignments	33	34	28
Group head office(1)	**1,604**	**1,807**	**1,977**
French Overseas Collectivities	109	107	100
Foreign countries(2)	492	515	537
Group staff recruited locally(2)	**601**	**622**	**637**
AFD GROUP TOTAL	**2,205**	**2,429**	**2,614**
of which overseas reserve bank head office(1)	74	57	49
of which overseas reserve bank local hires	252	/ *	/ *
OF WHICH OVERSEAS RESERVE BANK TOTAL	**326**	**57**	**49**
AFD GROUP VIA/VSC(3)	**123**	**141**	**147**
Overseas reserve bank VSC(3)	8	6	1
INTERNATIONAL VOLUNTEERS TOTAL (VIA/VSC)	**131**	**147**	**148**

(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 to employees, in other words, service providers in various foreign countries.
(3) VIA: Volontaires internationaux en administration (volunteer positions for young people abroad at embassies, French Institutes, Business France offices, etc.)/ VSC: Volontariat de Service Civique (general interest volunteer positions for young people abroad).

Today, the AFD Group has 2,614 employees worldwide, which is 7.62% more than in 2018.

The 1,977 head office employees, recruited in Paris (170 more than in 2018), include:

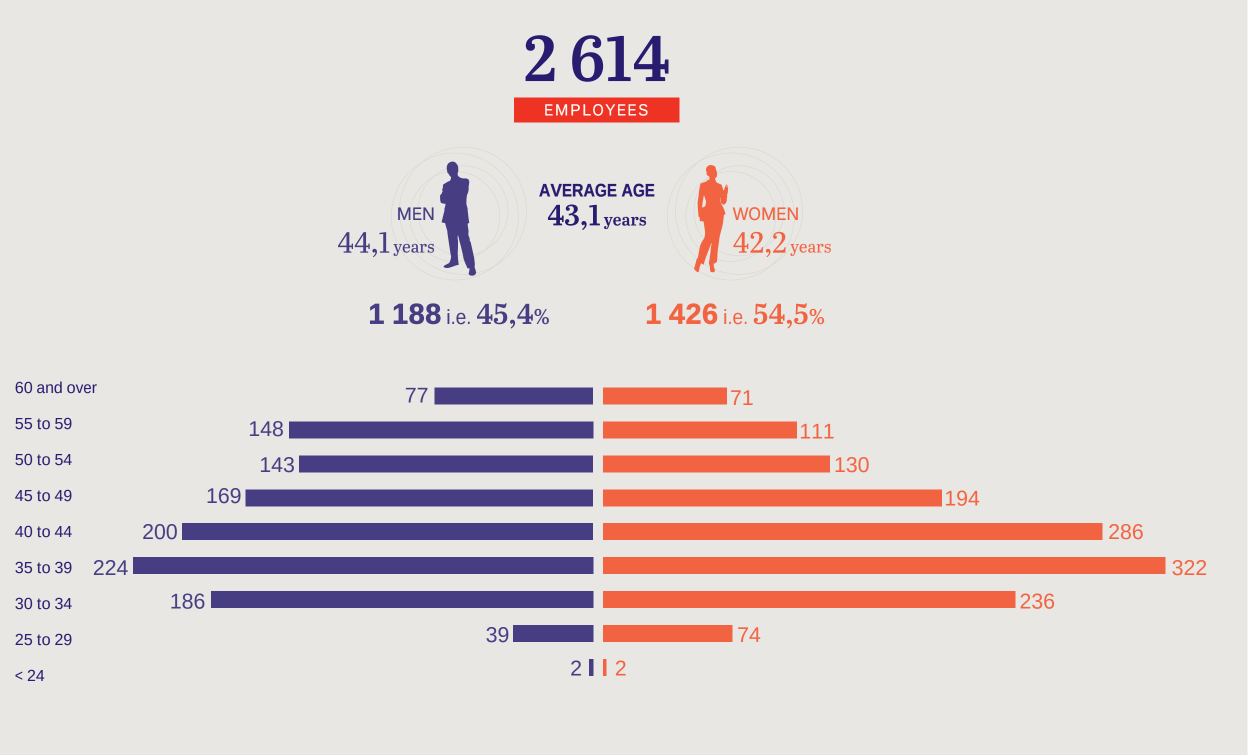
- 1,928 AFD Group head office employees;
- 49 head office employees seconded to French Overseas reserve banks.

The 637 locally hired employees (up 15 on 2018) are all AFD employees.

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

Employees by gender and age

Total staff managed by the Group broken down according to gender and age range in 2019 (at 31 December 2019)

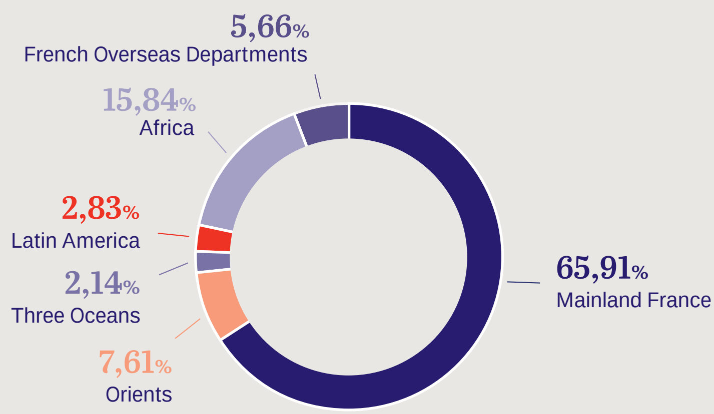


At the end of 2019, 54.55% of AFD Group employees are women. Their average age is 42.2 years old compared to 44.1 years old for men.

Breakdown of employees per geographic area

Geographic area	31/12/2019
Mainland France	1,723
French Overseas Departments	148
Africa	414
Latin America	74
Three Oceans	56
Orients	199
GRAND TOTAL	**2,614**

* *Mainland France (Mainland France AFD employees + temporary assignments).*



Recruitment and departures

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	**255**	**78**	**333**

External departures of Group employees

In 2019, the total number of permanent departures worldwide * (excluding suspensions of contracts) totalled 148 (87 head office employees and 61 employed locally).

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Expatriate employees healthcare expenses Retirement	32	11	43	1.64%
Voluntary redundancy	7	1	8	0.31%
Resignation	29	23	52	1.99%
End of fixed-term contract	2	11	13	0.50%
End of trial period	12	0	12	0.46%
Dismissals	5	4	9	0.34%
Death	0	2	2	0.08%
Contract conversion (to head office status)	0	10	10	0.38%
TOTAL	**87**	**62**	**149**	**5.70%**

* *Suspension of contract not counted: -2 head office employees and -1 locally hired employee.*
Excluding local employees of reserve banks linked to the end of the UES.

Compensation for employees managed by AFD Group

Indicators In *thousands of euros*	2017	2018	2019
Average gross annual salary	72.0	72.4	73.7

Scheduling of working hours

For head office employees (recruited in Paris), and since the agreement on the scheduling and reduction of working hours was signed on 30 June 2000, the number of annual working hours has been:

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

Absenteeism

In mainland France in 2019, 14,480 days were lost to illness for head office employees on permanent (CDI) and fixed-term (CDD) contracts (of which 257 days for CDD employees), which equates to an absenteeism rate of 2.68%.

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

There were 12 work- or travel-related accidents requiring time off in 2019 (11 in 2018), with 398 days lost to accidents over the year (273 in 2018).

The frequency rate was 4.7 (4.68 in 2018) and the severity rate 0.15 (0.12 in 2018).

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

Measures taken to promote equality between men and women

- Recruitment: 54.90% of women hired;
- Women in supervisory positions: 53.56%
- Women in managerial positions: 41.79%
- Women in the network: 36.70%
- Population: **Group head office**

Measures taken to promote the employment and integration of disabled people

- The number of people employed in 2019 who are recognised as disabled workers was 54, including 32 women and 22 men.
- The number of employees recognised as disabled workers who were hired in 2019 is seven, including five men and two women.

9.14.3 Statement of Non-Financial Performance Appendix 3: Environmental indicators and information (Act. 2010-788 aka Loi Grenelle II)

Indicator and scope	2019 Value
Pollution and waste management	
Waste production (scope: Head Office)	
Total production	243 T/year
of which paper/cardboard	*75.76 T*
Per employee	145 kg/employee
Sustainable use of resources	
Raw materials consumption (scope: Head office, excluding service providers)	
• Total paper consumption	46.79 T/year
• Paper consumption per employee	28 kg/employee

NOTES

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