#WorldInCommon

2018 REGISTRATION DOCUMENT

AFD
AGENCE FRANÇAISE
DE DÉVELOPPEMENT

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AGENCE FRANÇAISE DE DÉVELOPPEMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the French Financial Markets Authority (AMF) on 25 April 2019 in compliance with Article 212-13 of its general regulations. It may be used in support of a financial transaction if it is accompanied by a Transaction Memorandum duly approved by the AMF.

This document was prepared by the issuer, whose authorised signatories assume responsibility for its content.

A word from the CEO

“The Group's teams were fully engaged in embracing an ambitious development policy carried by the highest level of government”

2018 was a year of significant growth and transformation for AFD Group with commitments reaching €11.4 billion, up by €1 billion on the previous financial year.

In the course of the year, the Group committed to financing 846 development projects in different ways, using instruments such as loans, grants, guarantees and equity investments. AFD Group met all the strategic priorities in the 2018-2020 Strategic Orientations Plan: (i) decisive action on climate change with 100% of projects financed consistent with the Paris Agreement, (ii) an AFD Group 100% social link by fighting inequality, strengthening regional cohesion, promoting access to education and actual gender equality, (iii) a firm commitment in vulnerable and conflict zones as part of the three Ds initiative - "Diplomacy, Defence, Development" - embodied in particular by the Sahel (over €2 billion in projects financed since 2013), and (iv) priority given to non-sovereign, and (v) development of the partnership reflex. Furthermore, 50% of the Group’s total commitments were made in Africa.

The Group's teams were fully engaged in embracing an ambitious development policy carried by the highest level of government. This collective success is shared by 2,650 AFD and Proparco employees committed to changing the organisation and working methods. This transformation is taking shape specifically with (i) the streamlining of the Group's desks, particularly those in the private sector, which is now handled by its Proparco subsidiary since 1 January 2019, (ii) a view to expanding the scope of AFD intervention through the forthcoming integration of the technical cooperation operator Expertise France, (iii) and the deployment of the 17 regional departments tasked with upholding greater efficiency throughout the AFD Group network.

To carry through these initiatives and finance its growth, AFD Group is backed by a robust financial model and the support of the State, which has granted it additional public budget resources to finance its projects and grants, or to improve counterparty loan conditions. AFD raised €6.5 billion through bonds issued on the markets in 2018 and, after the State, is the top French public issuer of senior debt. This amount was subscribed by a diversified investor base both inside and outside France. AFD also consolidated its position on the Green Bonds market with its third Climate Bond ratio issue in November 2018. The Group's solvency position is particularly strong with a solvency ratio of 18.37% at the end of 2018.

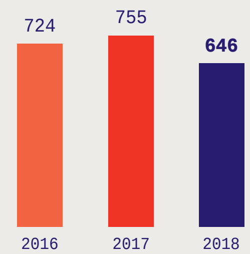
2018 saw AFD Group well placed to speed up its growth and transformation to further development in 2019, with a commitments target of €14 billion backed by strong engagement from teams and renewed support from the State.

Rémy Rioux
Chief Executive Officer

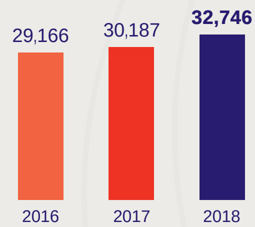
Our Key figures

IFRS (€m)

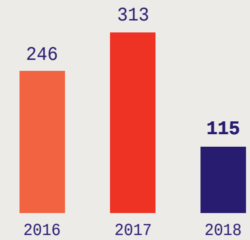
Net banking income



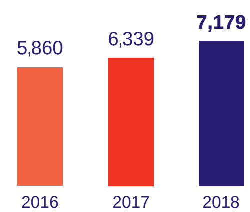
Outstanding loans



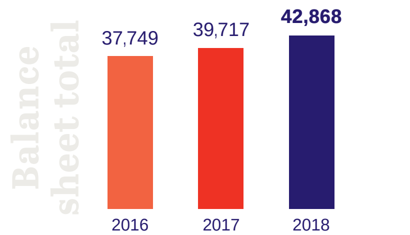
Net income



Consolidated capital

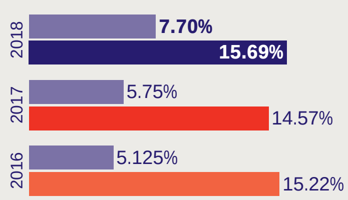


Balance sheet total

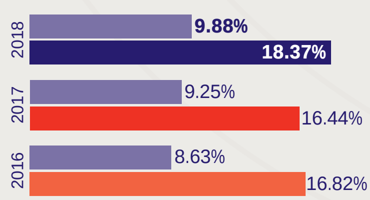


AFD more than complies with the banking ratios

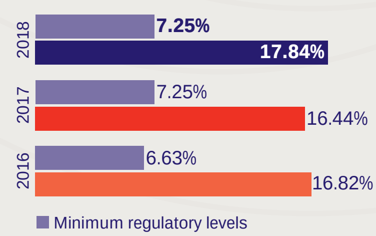
CET1 ratio



Solvency ratio



T1 ratio

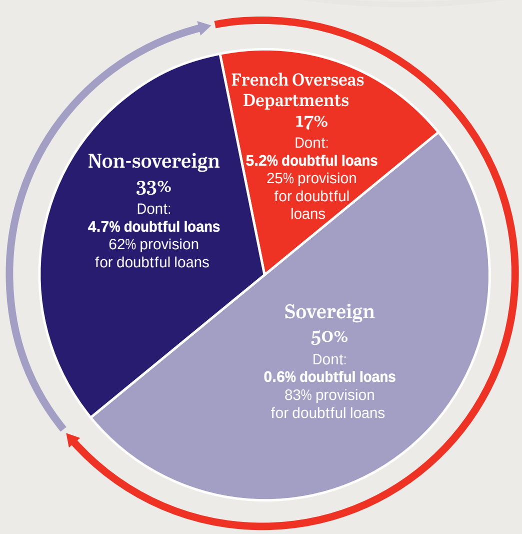


Healthy assets

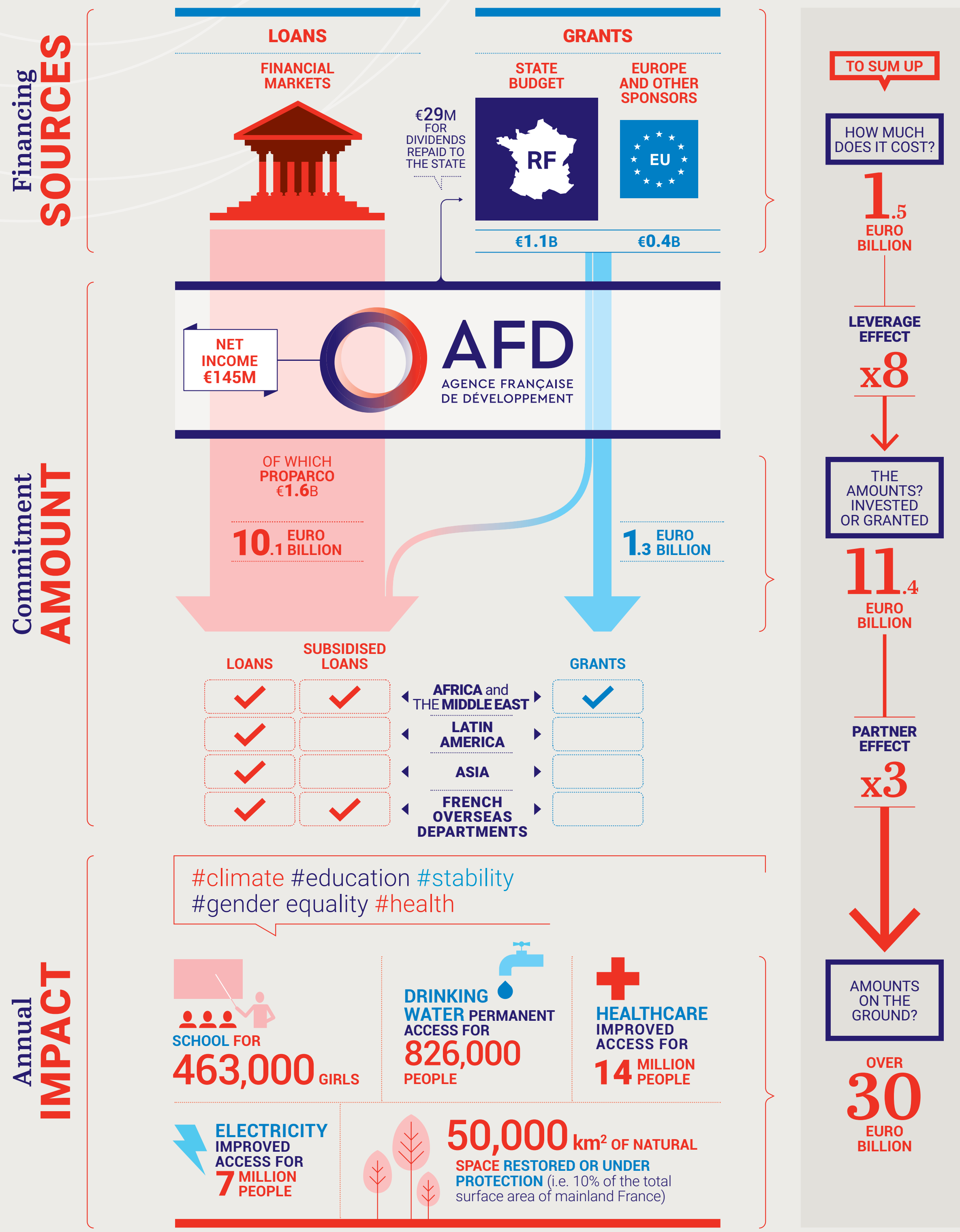
Total outstanding loans at 31 December 2018

€32.746bn

Doubtful loans: 2.75%



AFD GROUPE: A POWERFUL MODEL FOR IMPLEMENTING FRANCE'S DEVELOPMENT POLICY



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% behind the Paris agreement

Implementation of the Paris Agreement is now key to our mandate. To protect the planet from climate change and the destruction of biodiversity, all our financing must now be compatible with low-carbon, resilient development, within the meaning of the Paris agreement. AFD must also mobilise public and private investment in this direction.

2
100% committed to social ties

For a development that protects the well-being of populations, we are committed to fighting 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.

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

3
3D development

At a time of crisis and fragility, there can be no sustainable development without a guarantee of peace and stability. There can also be no peace without action to tackle the decisive social, political and environmental factors behind each crisis.

To meet the third of the 3Ds (Defence, Diplomacy and Development), we are working 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.

4
Priority to non-sovereign players

In addition to the action taken by the State, all players in society must gear their investments to the achievement of SDGs. From now on, we are going to ramp up our financing of non-sovereign players in the countries where we operate. These are companies, regional and local authorities, civil society organisations, foundations and the private and finance sectors. Theirs is a key role.

5
Partnerships the automatic choice

Our fifth commitment is cross-cutting and relates to how we operate. To meet these commitments, AFD Group firmly believes in the principle whereby working a project with a partner is always better than working a project alone.

The 2030 agenda of the SDGs and the Paris Agreement, because of its exhaustiveness, geographical universality and relevance on all levels, from State to civil society, requires a collective response with an acute partnerships focus. This willingness to always embrace new players is one of the key markers of our new strategy.

Implementing these five 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° 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.

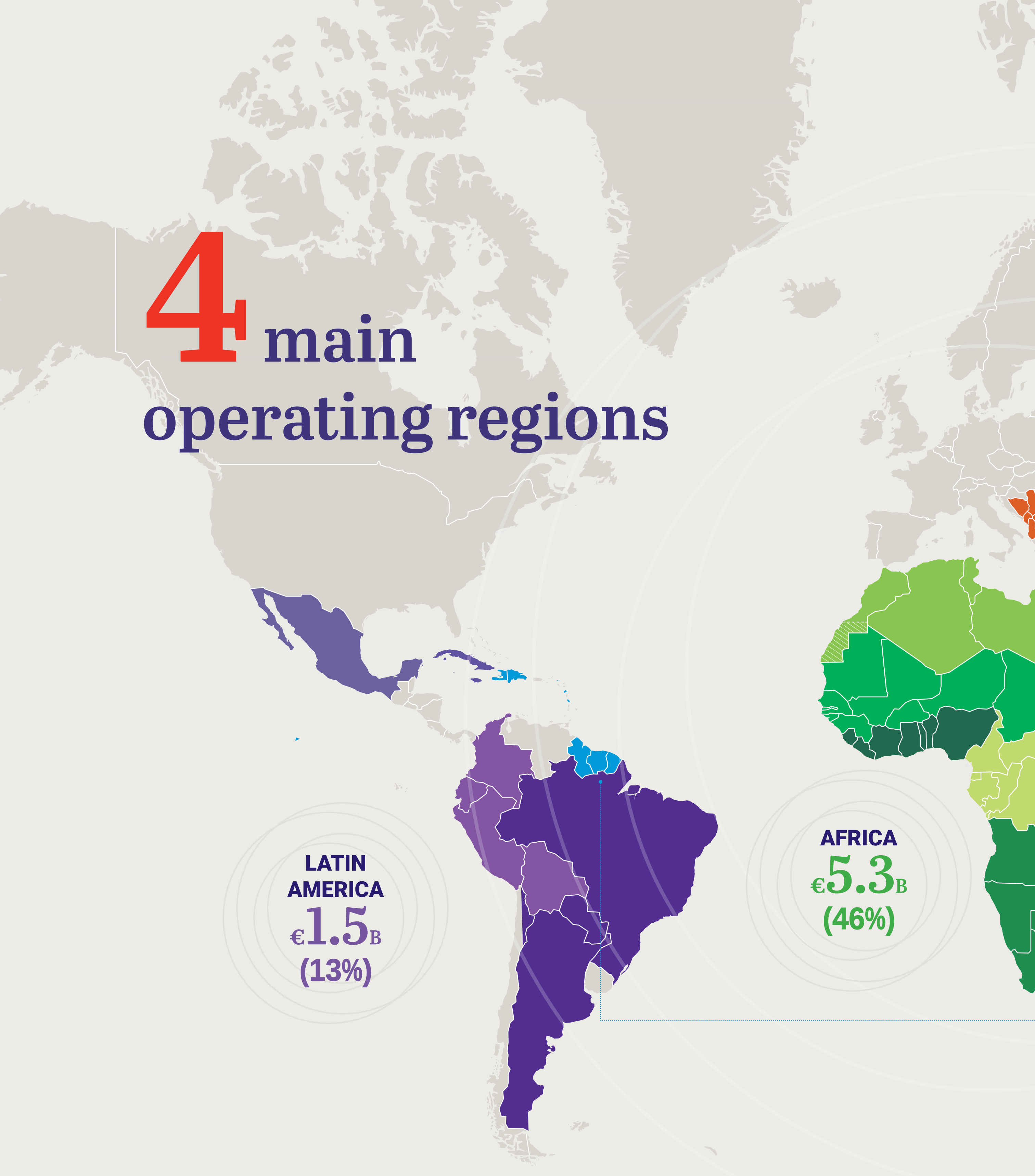
#5. Policy and citizen-focused

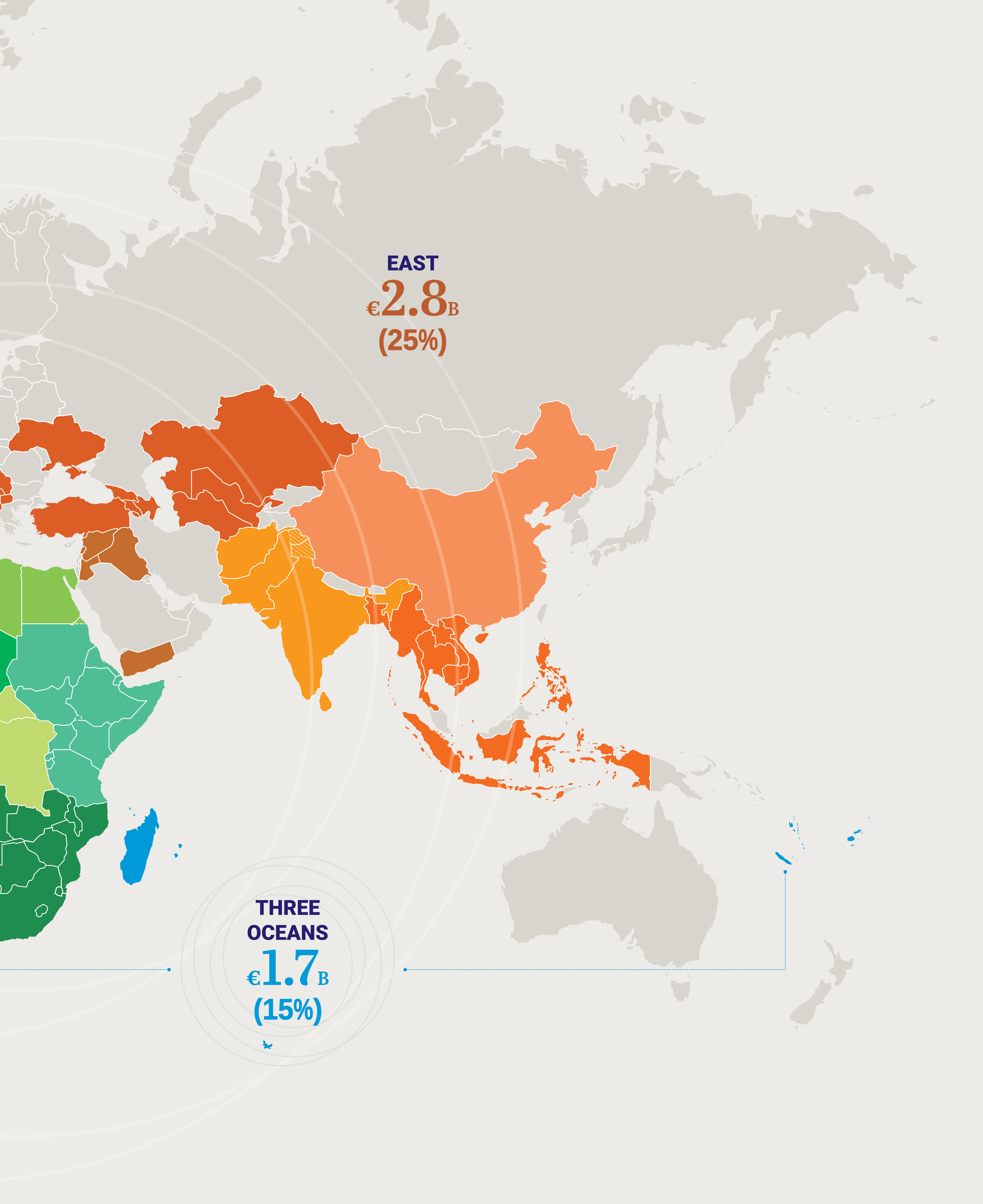
This means reinventing governance models to make them more inclusive and participative.

#6. Economic and financial

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

4 main operating regions




EAST
€2.8B
(25%)
THREE
OCEANS
€1.7B
(15%)

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

Scope

Except for the table 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:	French Prudential Supervisory Authority
GBS:	General budget support
AFD:	Agence Française de Développement
APD:	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:	Committee for International Cooperation and Development
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:	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
SDO:	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

1 CHAPTER

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 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 R.515-17 to 19 of the CMF). The Strategic Steering Committee (SSC), a State entity headed up by the Minister for Development, 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 CMF Article R.515-6, AFD's role is to carry out financial operations that contribute to the implementation of the French State's official development aid policy to developing countries abroad and the development of the French Overseas Departments and Collectivities and New Caledonia. To this end, AFD finances environmentally friendly development operations and may conduct other activities and services linked to its role. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

TRADE AND COMPANIES REGISTRATION

RCS Paris B 775,665,599

CONSULTATION OF LEGAL DOCUMENTS

At the head office – 5, rue Roland-Barthes – 75598 Paris Cedex 12

FINANCIAL YEAR

From 1 January to 31 December.

DOCUMENTS AVAILABLE TO THE PUBLIC

While this 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 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 2001-1276 of 28 December 2001, a dividend may be paid to the French State.

1.2 AFD Group's 2018–2022 strategy

1.2.1 AFD Group's missions and commitments

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 government's objective. The Group has identified five structural commitments to promote global assets.

- **100% behind the 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% committed to social ties**

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**

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.

- **Priority to non-sovereign players**

AFD aims to ramp up its financing of non-sovereign players in the countries where it operates. 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).

- **Partnerships the automatic choice**

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 a project with a partner is always better than working 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:

- "All 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 "East" and the "Americas" where a significant share of the issues surrounding low-carbon transition and the transformation of our economic and social models are be found.

THE SEGMENT LINE: 6 TRANSITIONS

AFD's strategic guidelines are designed to support 6 major transitions: demographic and social, energy, territorial and ecological, digital and technological, and political and public.

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 also responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R.515-6 of the CMF);
- in addition to carrying out operations on its own behalf, it is authorised to conduct a certain number of opera tions on behalf of third parties:
  - as such, it may represent financing companies, other French or international credit institutions, the European Union, foreign governments 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 governments, as well as by local authorities, credit institutions and other development banks or public or private institutions (Article 10 of Act 2014-773 of 7 July 2014 Guidance and planning related to development and international solidarity policy). 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 output, 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 federal 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 output, 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

- Subsidies

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. Subsidies 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 Government 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 loan with indirect subsidisation.

- Guarantees

Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, issue subscriptions or cash facilities and, on the other hand, guarantee commitments through Ariz, its guarantee facility. This facility guarantees private-sector outstandings through local banks that request it. Backed by capital of €295M, 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 subsidies, primarily in the least developed countries (LDCs).

1.3.2.2 In the French Overseas Departments and Collectivities

AFD's activities in the French Overseas Departments and Collectivities were confirmed by the Inter-ministerial Committee for the Overseas Departments and Collectivities on 6 November 2009 and relate primarily to the following areas:

- Loans
  - Financing public-sector investment in a spirit of partnership and especially support given to local authorities for defining and implementing their development strategies. This activity is carried out through subsidised loans to local authorities, public undertakings and semi-public companies for operations concerning priority sectors for employment, economic development, solidarity and the environment (resources from Programme 123) or in the form of non-subsidised loans. Moreover, AFD may grant short-term loans to local authorities in the form of EU subsidy prefinancing.
  - Financing of the private sector through loans via direct lending and non-subsidised banking sector refinancing transactions.
  - AFD also supports the development of microcredit institutions in the French Overseas Departments and Collectivities by contributing to their refinancing.
- Guarantees
  - AFD conducts significant activity guaranteeing medium and long-term bank loans that support innovation, creation and growth in French Pacific Collectivities through Sogefom, of which it is the majority shareholder, and in Mayotte and Saint-Pierre-et-Miquelon through two guarantee funds in its own name.
  - On behalf of third parties AFD also manages the guarantee funds for housing in French Overseas Departments (on behalf of Bpifrance Financement) as well as agriculture and fishing guarantee funds (on behalf of the French State) created in 2010.
- Management or representation mandates in the French Overseas Departments and Collectivities
  - AFD is running off Crédit Foncier de France's operations in French Overseas Departments and Collectivities and represents Caisse des Dépôts et Consignations for certain activities in the French Pacific Collectivities and Saint-Pierre-et-Miquelon (in the investment business). Since 1 January 2014, AFD has been a service provider for Bpifrance Financement for some of its activities in the French Overseas Departments, in New Caledonia and in French Polynesia.
  - AFD also promotes housing development in the French Overseas Departments and Collectivities through stakes in seven real estate companies held on its own behalf or on behalf of the State.
  - Lastly, it helps the economies of French Overseas Departments and Collectivities develop within their respective regions.

1.3.3 Other AFD activities

1.3.3.1 Intellectual output

AFD ensures that the projects it finances are constantly improved to anticipate 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 output 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 and parcel 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 implement actions for the reinforcement of capacities, training cycles, seminars and to moderate communities of practice for the benefit of the categories of players who contribute to the development projects run by AFD: the Group's partners in the countries in which it is involved, the development players (in France or abroad) and, to a lesser extent, the AFD staff at the head office and in the network. Its purpose is to transfer and share knowledge and expertise applicable to the various development professions at the leading edge of research, as well as operational techniques and practices AFD has tested.

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 Multilateral 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 a tax on plane tickets and the tax on financial transactions. 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.

Furthermore, pursuant to Article 10 of Act 2014-773 of 7 July 2014 on Guidance and planning related to development and international solidarity policy, AFD is authorised to carry out activities on behalf of third parties such as the European Union, international institutions and organisations, foreign governments, any public authority, 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 N° 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.

1.4 Financing activities on its own behalf

AFD's lending and subsidy activities are financed by different kinds of resources.

For activities carried out on its own behalf, AFD uses three main types of financing:

Budgetary resources

- funds for foreign country and French Overseas Departments and Collectivities loan subsidies (€202M of credit appropriations received in 2018);
- subsidies received from the State for project subsidy and NGO activities (€262M of credit appropriations received in 2018).

Financial transaction tax (FTT)

A portion of the FTT is assigned directly to AFD. In 2018, AFD received €270M from this tax.

Loans from the State (RCS)

AFD contracts 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 2018, AFD received €208M of RCS funds.

In addition, AFD received €120M, equating to the second part of the final tranche of the €280M set aside for the series of measures to increase the equity capital of the Office (RCS eligible exceptionally for compartment AT1 of the regulatory capital).

Market borrowings

AFD's bond issues totalled €6,463M in 2018.

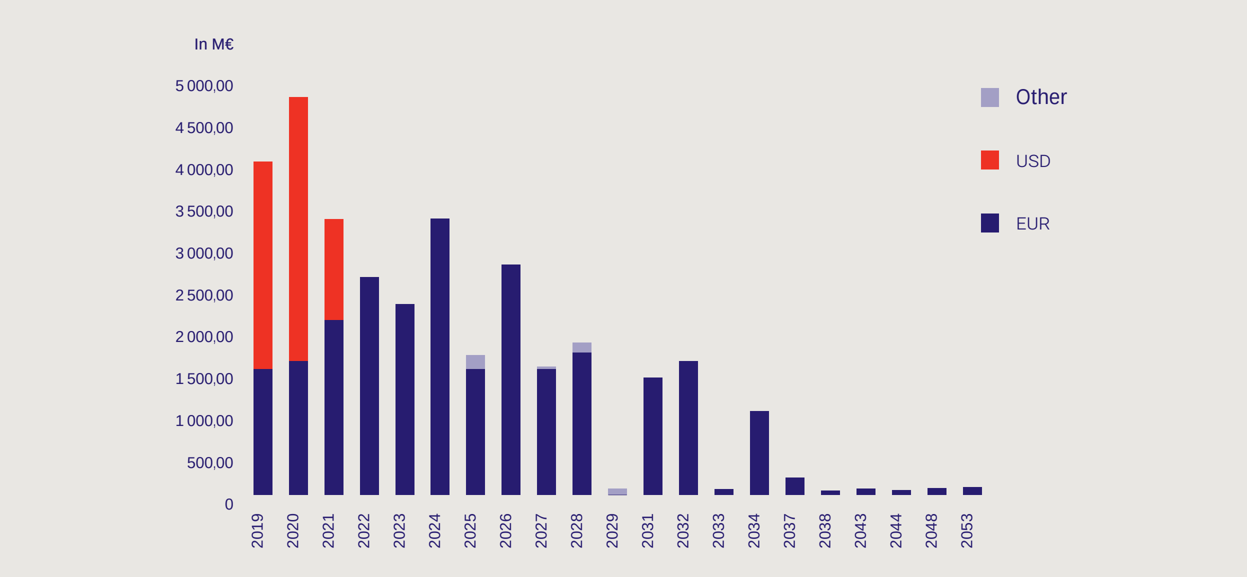
AFD has made four bond issuances in the form of public issues on the euro and US dollar markets for a total of €4,110M:

- €1,400M for 10 years (maturity January 2028);
- €1,000M for 16 years (maturity October 2034);
- $1,500M for 3 years (equivalent to €1,210M; maturity March 2021);
- €500M for 7 years (maturity October 2025) in the form of climate bonds.

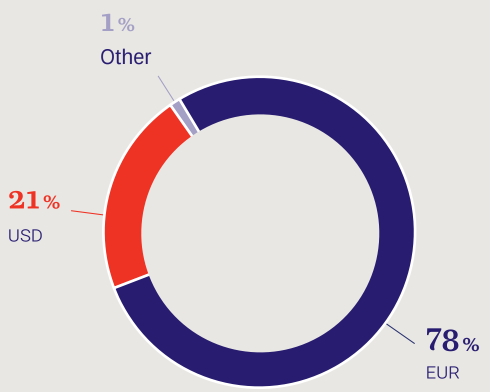
AFD has also undertaken:

- 8 tap issues for a total of €776M;
- 18 private placements on the euro and US dollar markets for a total of €1,575M.

Based on the 2018 issues, the nominal burden of AFD debt was €32.68bn as of 31 December 2018. The breakdown by maturity date is as follows:

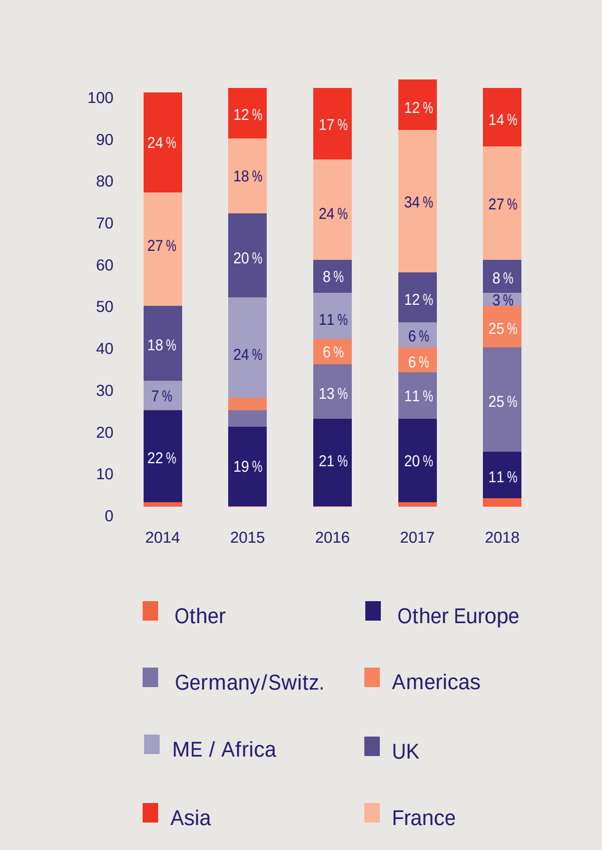


The outstanding debt burden as of 31 December 2018 is mainly denominated in Euros:

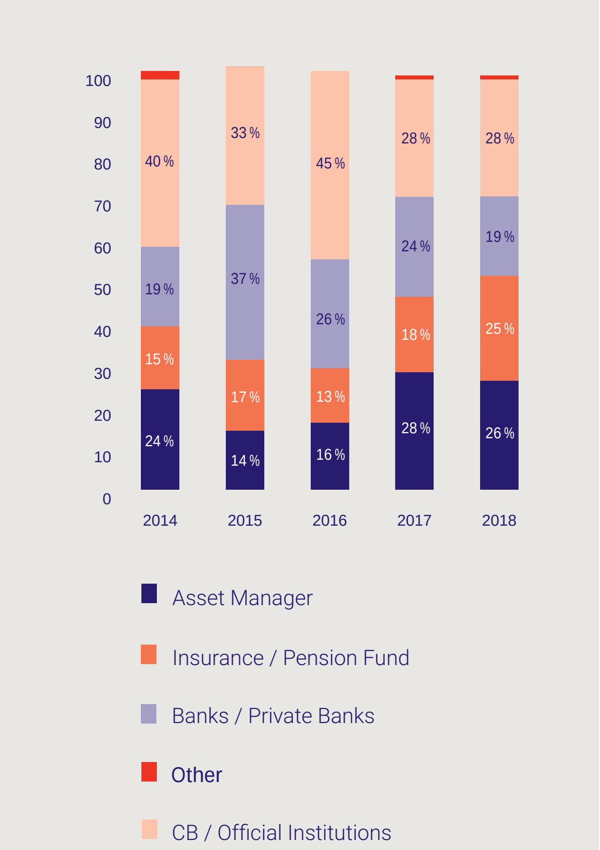


To meet its growing financing requirements, AFD takes care to constantly maintain and expand its investor base which guarantees secure access to cash resources and competitive prices. The investor base by geographic area and type of "public" operations[1] breaks down as follows:

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 or USD for fixed-rate loans).

For five years now 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) despite the banking licence change AFD experienced in 2017. At the time, AFD's spread had increased by around ten base points at all points of the curve before returning to 4 to 7 bps at the end of 2017. At the end of 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 2018

	Countries	Method[(1)]	**Equity percentage 31/12/2018**	Equity percentage 31/12/2017	**Percentage of control 31/12/2018**	Percentage of control 31/12/2017
France						
Mainland France						
Proparco	France	FC	64.95	64.95	64.95	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 – NewCaledonia	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	64.95	64.95	100.00	100.00

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

Details of the consolidation scope are given in §6.2.3.1 annexed to the consolidated financial statements.

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 stakes and grant loans in the regions in which AFD is mandated to operate

Legal form: Financial public limited company (*société anonyme financière*)

Head office: 151 rue Saint-Honoré, 75001 Paris

Equity: €693,079,200 (excluding issue premium)

AFD's stake: 64.95%

Other shareholders: French financial institutions (21.69%), private investors (1.67%), international financial institutions (11.03%), ethical foundations and funds (0.65%)

Balance sheet total: €5,438.2M

Total net equity: €938.6M

Equity stakes: €899.1M

Gross loan portfolio: €4,471.2M

Net banking income: €143.5M

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 capital or have been approved by its Board

Legal form: Public limited company (*société anonyme*)

Head office: 5 rue Roland-Barthes, 75012 Paris

Capital: €1,102,208

AFD's stake: 60% (of which 1.32% through Socredo)

Other shareholders: nine financial institutions (40.00%) including Banque de Nouvelle-Calédonie (7.51%) and Banque de Polynésie (7.51%)

Balance sheet total: €43.1M

Total net equity: €13.4M (excluding FRBG)

Gross loan portfolio: €25.4M

Net banking income: €0.9M

SODERAG (SOCIÉTÉ DE DÉVELOPPEMENT RÉGIONAL ANTILLES-GUYANE)

Purpose: To grant loans and acquire equity stakes 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)

Capital: €5,576,859

AFD's stake: 100.00%

Other shareholders: none

Balance sheet total: €5.3M

Total net equity: -€116.2M (excluding FRBG)

Gross loan portfolio: NS

Net banking income: -€0.00M

FISEA (FONDS D'INVESTISSEMENT ET DE SOUTIEN AUX ENTREPRISES EN AFRIQUE)

Purpose: To promote the growth of African SMEs

Legal form: Simplified joint stock company (*société anonyme par actions simplifiée*)

Head office: 5 rue Roland-Barthes, 75012 Paris

Capital: €210,000,000

AFD's stake: 100.00% (except for one share)

Other shareholders:Proparco holds one share in Fisea

Balance sheet total: €130.8M

Total net equity: €130.1M

Gross loan portfolio: NS

Equity stakes: €109.2M (amount net of impairments)

Net income: -€11.6M

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

Purpose: To create a regional investment platform

Legal form: Public limited company (*société anonyme*)

Head office: Hong Kong

Capital: €7,000,000

AFD's stake: 64.95%

Other shareholders: Propasia is a wholly-owned subsidiary of Proparco

Balance sheet total:€7.6M

Total net equity: €7.6M

Gross loan portfolio: NS

Equity stakes: €2.8M

Net income: €0.1M

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 65% stake, while the remaining 35% is held by private shareholders (including 22% 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 objectives (SDOs). 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.

1.5.3.2 Activities of TR Propasia, a Proparco subsidiary

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

TR Propasia's portfolio, which matured on 15 April 2011, was invested for a total of $6M in three investment funds and one direct investment.

1.5.3.3 Fisea

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

In 2018, Fisea's net approvals amounted to €48M (excluding TA). They comprise 7 investments, 4 of which in funds (2 multi-sector SME funds, 1 social business fund and 1 infrastructures funds) and 3 direct investments in companies (2 in the microfinance sector and 1 in the services sector).

Total approvals (excluding TA) as of 31 December 2018 amount to €128M. Investment funds represent 86% of assets and direct investment represents 14%.

1.5.3.4 Banque Socredo

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

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

In addition to its banking activities, Banque 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[(1)], Banque Socredo employed a workforce of 468 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.

In 2018, AFD received dividends of €1.4M for the 2017 financial year.

1.5.3.5 Soderag

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

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 enterprises (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 2015 (up 61.8%), followed by a 10.3% fall in 2016 and little change in 2017 (up 2.1%), new production recorded a further increase in value of 41% in 2018, which breaks down as follows:

- in New-Caledonia, after falling successively for several years, Sogefom's new production increased in 2018, up 55% in value over 2017 and 25% in the number of guarantees granted. It amounted to €7.7M. This year it was able to offset the amortisation of the outstandings which were €28.5M compared to €28.4M at the end of 2017;
- in French Polynesia, production has been rising since 2015. The 2018 figure was €23.9M versus 17M in 2017 (up 41%) with 404 guarantees granted (347 in 2017). The gap between the two geographical locations continues to grow given that outstandings guaranteed were €57.2M at the end of 2018, double the New Caledonia figure;
- in Wallis and Futuna, production remained flat with only one application approved in 2018 worth €48K. Production remained unchanged from 2017.

The gross consolidated outstanding guarantees at 31 December 2018 (€85.9M) increased by 15% compared with 31 December 2017 (€74.9M).

1.5.3.7 Property companies

In connection with its operations in French Overseas Departments and Collectivities, AFD was a shareholder, alongside the Government 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. It asked AFD to sell its own shares at the same time as the transfer.

Following negotiations between the State and the SNI, an agreement was reached for a sale in two stages: first the purchase by SNI of 34% of the companies' capital, including all AFD's shares in 2017, then an option to purchase the balance of

(1) The figures at 31 December 2018 are provisional (they have not been reviewed by the statutory auditors and the accounts have not been approved).

the Government's shares over a five year period. The sale took place on 19 December 2017. AFD no longer holds any equity investments on its own behalf in SIDOM (with the exception of SIC), as these were sold for €20.9M. The shares still recognised in its balance sheet are held on behalf of the Government and are due to be sold within 5 years.

As a result, as of the end of 2018, AFD's equity stake in its own name in the capital of Société Immobilière de Nouvelle-Calédonie (SIC) was down to 50%, so the company was not included in the transaction as the State had no equity interest in this property 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 2018

1.6.1 Global economy

In 2018, the **global** growth rate appears to have levelled out at 3.7%, similar to that of 2017. In January 2019 the IMF reviewed its October 2018 growth forecasts for the next two years slightly down at 3.5% for 2019 and 3.6% for 2020. The main reasons for this additional review were the slowdown observed at the end of 2018 in some Eurozone countries (Germany and Italy) and the expected contraction of the Turkish economy in 2019. The global economic situation now faces significant risks of decline in the short and medium terms; pitfalls include a heightening of trade tensions, the prospect of a no-deal Brexit between the UK and the European Union, and a faster than anticipated slowdown in China.

In 2019, growth of **the American economy** should continue to exceed its potential (1.9% according to the US Federal Reserve) and attain 2.5%. That said, from 2020 onwards the growth rate could slowdown significantly to 1.8% on account of the temporary nature of the provisions of the 2017 tax reform. Trade negotiations with China are ongoing (the trade war truce decided early December is due to end on 1 March). As anticipated, the US Federal Reserve increased its benchmark interest rate to 2.25%-2.5% in December 2018 (following three increases in March, June and September). Rhetoric from the Fed has since struck a more cautious note, appearing to announce a lull in the rise in benchmark rates for 2019.

According to the European Commission's winter economic forecasts, **the Eurozone** saw its growth slump to 2.1% in 2018, a trend which is set to continue in 2019 when growth should stabilise at around 1.3% and inflation should remain moderate at 1.4%. The reasons for this are at once economic, with increased risk and uncertainty worldwide (trade tensions, a slowdown in growth in China and in the United States) and across Europe (social tension in France, Italy, Brexit), and also more structural in nature now the business cycle has become more mature. In October 2018, the ECB confirmed it was stopping its net asset purchase programme in January 2019, after reducing the value of its monthly purchases from €30bn to €15bn. Benchmark interest rates, on the other hand, should remain at their current levels (around 0%) at least until, and maybe even beyond, summer 2019.

In the **UK**, the uncertainty over Brexit is weighing heavily on prospects for growth, which the Bank of England has revised to 1.5% for 2019. Economic climate surveys are pointing to a downward trend in January with a composite index very close to the business contraction zone, while household confidence reached a 5-year low. On 15 January the British parliament rejected the agreement between the EU and Theresa May's government, signed at the end of November. It then voted on a series of amendments to the draft agreement at the end of January, which led Theresa May to try to reopen negotiations with the EU on the issue of the Irish border.

The IMF has reviewed the growth prospects for **emerging and developing countries (EDCs)** which is down slightly on the October 2018 figure at 4.5% for 2019.

Oil prices were revised downwards for 2019 and 2020 to less than $60 a barrel, as were metal prices which were expected to fall by more than 7% year-on-year.

In 2019, emerging and developing **Asia** is set to grow by around 6.3%, due to the slowdown in China, despite the budget boost announced by the Chinese authorities intended to mitigate the effects of the US raising its customs tariffs. India, on the other hand, should benefit from the fall in oil prices and a freer monetary policy than anticipated, coupled with lower inflationary pressure.

The **Latin America and Caribbean** region should see its growth rate gain momentum, reaching 2% in 2019. The gradual recovery of Brazil, which accounts for over two thirds of the region's GDP, should continue now that the election uncertainty has been lifted. A reform of the uncontrollable public expenditure (including the pension and payroll system) is still required to ensure the viability of public finances and a return to the path of sustainable debt. In Argentina the economic situation has slumped considerably with the disruption of the financial markets leading to a substantial depreciation of the peso, an increase in real interest rates, and the budget consolidation provided for in the IMF programme. The Argentine economy should therefore experience another year of recession in 2019. Economic activity in Mexico is bolstered by exports and the transfer of migrants but the country remains vulnerable to financial market turbulence on account of its financial integration and the tightening of US monetary policy. One of the risks facing the region - deterioration of the social and economic situation in Venezuela - has led to a humanitarian crisis and an increase in emigration, mainly to Colombia and Brazil.

Economic growth in **the South and East Mediterranean countries where AFD operates** was not spared the risks linked to trade tensions and a tightening of financial conditions on global markets in the second half of 2018. Turkey has seen its growth outlook fall considerably since April due to the sudden massive depreciation of the Turkish lira in August 2018 and the ensuing credit crunch. The IMF believes the Turkish economy will hit a recession in 2019. The country's substantial need for external finance (25% of GDP) exposes it to a high refinancing risk while its foreign currency reserves are limited. In Tunisia, the economy's growth dynamic, despite a slight rise to 2.4% in 2018, is still insufficient to meet the country's socio-economic challenges. The situation of its public and external sector finances has deteriorated, exacerbating the pressure on both the Tunisian dinar and inflation, and leading to a drop in its foreign currency reserves. The programme agreed with the IMF in 2016 could be undermined by further budgetary slippages in the run up to the 2019 general elections (public service salary increase) while public debt is more than 70% of GDP. The impact of regional conflicts continues to weigh heavily on economic activity in Lebanon and Jordan, while budget leeway in both countries is limited due to high debt and increasing macro-financial vulnerabilities. Egypt's economy is also vulnerable due to its debt burden. However, the reforms carried out as part of the IMF programme are beginning to bear fruit with higher growth, a reduction in the budget and current account deficits, and lower inflation. Against a turbulent regional backdrop, Morocco stands out for its relative stability, even though its growth remains dependent on the agricultural sector and is not strong enough to lower the unemployment rate.

Sub-Saharan Africa should see its growth edge up to 3.5% in 2019. The oil-exporting countries are vulnerable to the further drop in oil prices with a growth rate well below past trends and indebtedness on the rise. In several countries (Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Guinea, Senegal and Tanzania) growth was 5% or higher in 2018 and should maintain this momentum in the medium term, bolstered by public investment and healthy agricultural production. South Africa, on the other hand, has witnessed a slowdown of its economy over the last few years and this is weighing heavily on regional growth. Having reached 1.3% in 2017, according to the IMF the country's growth rate should fall to 0.8% in 2018. Since the start of the year the value of the rand has fallen significantly while the economy's external finance requirement has increased. The latter is covered mainly by volatile short term capital movements while the foreign currency reserves are under the IMF-recommended level. Public debt grew to 53% of GDP at the end of 2017. Nigeria is expected to record growth of 1.9% in 2018, compared to 0.8% in 2017, mainly due to fewer disruptions in oil production and a recovery of the non-oil economy.

Because of the increase in commodity prices, balance of payment imbalances have fallen overall, but the fiscal consolidation has not delivered such good results and debt-related vulnerabilities are on the increase: approximately 40% of the region's low-revenue countries are heavily in debt or very much at risk of being so. Several countries in the region (Côte d'Ivoire, Nigeria and Senegal) issued Eurobonds for a total of $7.5bn in 2017, i.e. ten times the 2016 level and the issue momentum continued in 2018. At the end of 2017, the average level of public debt in Sub-Saharan Africa exceeded 50% of GDP. As outstanding debt increases, so do interest payments which absorb a growing portion of the country's income. For Sub-Saharan Africa as a whole, the average interest payment/income ratio practically doubled from 5% to almost 10% between 2013 and 2017 and, for the oil-exporting countries, it rose from 2% to over 15% over the same period. The countries with the highest increases are Angola, Benin, Congo, Gabon, Mozambique, Nigeria, Uganda, Chad and Zambia. A growing use of foreign currency loans also exposes the countries to risk. On average, 60% of total public debt was denominated in foreign currencies in 2017. Although the interest rates of foreign currency debt are generally lower than the domestic rates in the region, use of foreign currency borrowing exposes the debtor countries to volatile exchange rates and higher refinancing risk. In several countries, the banking sector's exposure to sovereign debt, combined with the arrears accumulated on domestic loans, weighs heavily on the banks' balance sheets and credit growth (Angola, Congo, Mozambique and Zambia). The slowdown in loans granted to the private sector threatens recovery in the countries involved, especially those with budget restrictions due to the increasing burden of public debt. The economic situation in the CAEMC countries remains tense, even if the IMF is anticipating a gradual improvement towards an average projected growth rate of 2.7% in 2018 with public and current deficits of 1.3% and 2.6% of GDP respectively. Rebuilding the area's foreign currency reserves has been slower than anticipated (2.4 months of imports at the end of 2017). In the WAEMU zone the growth dynamic has been considerably higher than in the other countries of Sub-Saharan Africa since 2012, driven mainly by an increase in public investment. This exerts severe pressure on macro-economic balances: in 2017, the regional budget deficit reached 4.7% of GDP, public debt increased to 48.2% (an increase of almost 12 GDP points since 2012) and the current deficit increased by 6% of GDP. As a result, WAEMU's external margin for manoeuvre fell, as can be seen from the persistent erosion of the communal foreign currency reserves, offset by Eurobond issues in 2017. These covered 4.2 months of imports at end December 2017.

1.6.2 Information about offices and activities at 31 December 2018

NET BANKING INCOME, REVENUE AND EMPLOYEES BY COUNTRY FOR SUBSIDIARIES THAT ARE FULLY CONSOLIDATED AND EQUITY-ACCOUNTED IN AFD'S FINANCIAL STATEMENTS

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

	2018							At 31/12/2018
	Net banking income in millions of euros(1)	Revenue in millions of euros(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	859	70	202	21	17	4	216	2,828
Asia:								
Hong Kong		0	0					3
TOTAL	**859**	**70**	**202**	**21**	**17**	**4**	**216**	**2,831**

(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 2018-2017 approvals (M€)

In millions of euros	Total approved in 2018	Total approved in 2017
AFD Foreign countries		
Ongoing operations	**8,106**	**6,576**
Subsidies	492	320
Sovereign concessional loans	5,129	3,997
Non-sovereign concessional loans	326	652
Non-sovereign non-concessional loans	1,802	1,268
of which AFD sub-participations granted to Proparco	417	231
Other loans	50	
Sahel Healthcare Solidarity Initiative	2	0
Funding for NGOs	83	72
Equity stakes	0	100
Guarantees	222	153
Mandate-specific operations	**309**	**518**
GBS	55	63
C2D	233	440
Assigned funds delegated by MAE (Pacific Fund and others)	0.1	0.1
French GEF OR FGEF (French Global Environment Facility)	21	12
Specific activities using resources from other backers	**428**	**573**
Loans delegated by other sponsors	428	573
Total AFD Foreign countries	**8,843**	**7,667**
AFD French Overseas Departments and Collectivities		
Ongoing operations	**868**	**1,009**
Loans	822	981
Guarantees granted to the private sector	34	25
Subsidies	12	2.5
Mandate-specific operations and representation	**494**	**537**
OSEO/BPI funding	489	510
Managed funds	5	27
Total AFD French Overseas Departments and Collectivities	**1,361**	**1,545**
PROPARCO Foreign countries		
Loans	1,254	1,031
of which AFD sub-participation loans to Proparco	417	231
Equity stakes	253	245
FISEA	48	10
Other investments	96	19
Guarantees		73
of which AFD sub-participations granted to Proparco		19
Total PROPARCO Foreign countries	**1,651**	**1,377**
of which AFD sub-participations granted to Proparco	-417	-250
TOTAL GROUP APPROVALS	**11,439**	**10,340**

AFD Group's global activity reached €11.44bn of commitment approvals in 2018, an increase of €1.10bn on the 2017 figure and in line with the objective set by the French President of €12.70bn by 2020.

Sovereign concessional loans and non-sovereign non-concessional loans account for the lion's share of this increase with approvals of €5.13bn (+€1.13bn) and €1.80bn (+€0.53bn) respectively at the end of 2018.

This more than made up for the -€0.32bn fall in non-sovereign concessional loans.

1.6.3.1 AFD, Foreign countries

Ongoing operations

Lending and **guarantee** activities were €7.53bn compared to €6.07bn in 2017. The number of loans exceeded the business plan targets, particularly in Sub-Saharan Africa.

AFD continued to grow its non-sovereign activities in 2018. The value of non-sovereign loans was €2.13bn versus €1.92bn in 2017. The sovereign loan activity grew substantially to €5.13bn from €4.00bn in the previous year.

Grant[1] approvals reached €0.58bn a 33% increase on the 2017 figure of €0.39bn.

2018 was marked by AFD continuing to increase its financing of civil society organisations (€83M in 2018 versus €72M in 2017). Over 80% of funding granted was invested in operations on the ground (most of which concerned Africa).

Mandate-specific operations

Mandate-specific activities fell with approvals of €0.31bn in 2018 compared to €0.52bn in 2017. This drop in approvals (€0.21bn) pertained mainly to C2Ds (debt-reduction development contracts) with no new deal signed in 2018. However, C2Ds still account for two-thirds of mandate-specific activity.

Activities using resources from other sponsors

In terms of volume, these activities fell in 2018 (€0.43bn versus €0.57bn the previous year) despite a sustained effort to mobilise European funding and a strengthening of our relationships with bilateral partners, both of which should benefit the 2019 business plan. Virtually two-thirds of these approvals relied on European Union resources.

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 activities in French Overseas Departments and Collectivities levelled off in 2018. Approvals were effectively €1.36bn at the end of the year compared to €1.54bn during the 2017 financial year.

Current activity (loans, guarantees and subsidies) was €0.87bn in 2018 compared to €1.00bn in 2017. Lending activity fell by -€0.16bn.

The main reason for the gap was the worsening financial situation of public sector operators, particularly those in the regional collectivities. These problems led to a fall in public procurement which adversely affected investments in large-scale projects.

The growth of subsidised green loans was largely due to the mechanism's extension to all overseas territories, as in 2017 they were available only to Pacific territories.

Mandate-specific operations - BPI, managed funds - remained relatively flat at €0.49bn despite an initial forecast of €0.6bn for 2018.

1.6.3.3 Proparco, foreign countries

Proparco's 2018 approvals stood at €1.65bn, up by 20% over 2017. Loan commitments were €1.25bn (an increase of €0.22bn or 22%).

(1) With the NGOs

1

1.6.4 AFD's activities in foreign countries

TOTAL VOLUME OF APPROVALS, DISBURSEMENTS, VOLUMES TO BE DISPERSED AND OUTSTANDINGS[1]

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

In millions of euros	2018	2017	Variance 2018/2017 €M	Variance 2018/2017 %
Loans[1]				
Approvals	7,308	5,916	1,391	23.5%
Disbursements	3,916	3,404	512	15.0%
Undisbursed balance at 31 December	18,548	17,531	1,017	6%
Outstandings at 31 December	26,999	23,912	3,087	13%
Subventions				
Approvals	627	470	157	33%
Disbursements	397	334	64	19%
Undisbursed balance at 31 December	1,341	1,118	224	20%
Outstandings at 31 December	18	20	-1	-7%
Guarantees				
Approvals	222	153	69	45%
Outstandings	182	172	10	6%
Equity stakes				
Approvals	0	100	-100	0%
Disbursements	0	10	-10	-100%
Total				
Approvals	8,156	6,639	1,517	23%
Disbursements	4,313	3,748	565	15%
Undisbursed balance at 31 December	19,889	18,649	1,240	7%
Outstandings at 31 December	27,200	24,104	3,095	13%

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

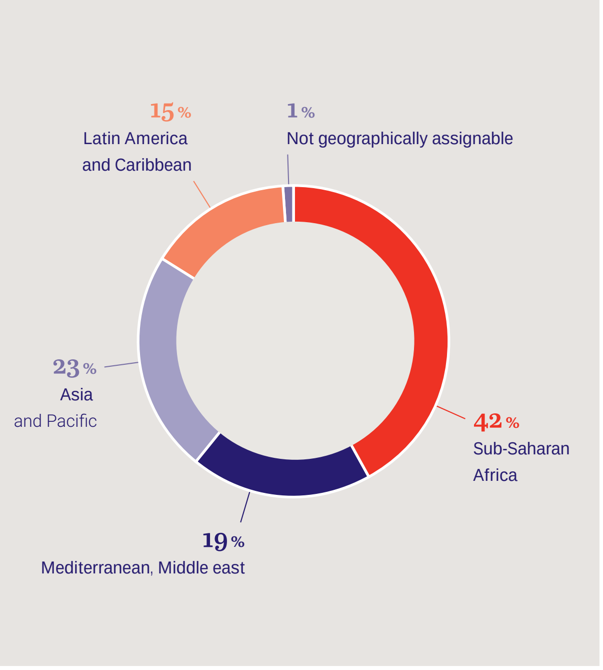
- Total approvals in foreign countries reached €8.16bn in 2018, compared with €6.64bn in 2017, i.e. a significant rise of 23%. Growth concerned the loan, subsidy and guarantee activities, i.e. all instruments with the exception of investments.
- The non-disbursed balance and outstandings also grew by 7% and 13% respectively.
- Total disbursements recorded a significant 15% increase in volume compared to 2017. This increase reflects the rise in loan disbursements (15%), which came about due to the increase in approvals and also the development of a financing offer incorporating rapid disbursements such as general and sector budget support and public policy loans. Thus, in 2018, note should be made of the payment of USD 230M on the Climate public policy loan in Colombia. Payments from subsidies were also up by 15%, reflecting the increase in approvals linked to AFD receiving a share of the Financial Transaction Tax in 2017 and 2018.
- For a breakdown of approvals and disbursements by type of financial assistance, see appendix 6.

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

GEOGRAPHIC BREAKDOWN OF AFD APPROVALS

2017 and 2018 approvals, presented by beneficiary country, break down as follows:

	Loans		GBS, subsidies and equity stakes – ongoing operations		Guarantees granted		General	
In millions of euros	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Sub-Saharan Africa	2,859	2,376	405	410	210	131	3,474	2,917
Mediterranean, Middle east	1,423	1,340	94	82	8	10	1,525	1,432
Asia and Pacific	1,855	1,121	38	19	3	3	1,896	1,143
Latin America and Caribbean	1,170	1,001	41	34			1,211	1,035
Not geographically assignable	0	78	49	25		8	49	112
GRAND TOTAL	**7,308**	**5,916**	**627**	**570**	**221**	**153**	**8,156**	**6,639**



AFD easily exceeded its targets in Africa in 2018. Commitment authorisations in **Sub-Saharan Africa** were €3.5bn in 2018, up 18% on 2017. For financial tools, the higher number of commitments was due to a marked increase in sovereign loans and delegated loans.

The Gulf of Guinea and Greater Sahel regions received the highest amounts. AFD's action in Sahel was strengthened by the operationalisation of the Sahel Alliance (since February 2018).

AFD's activity in the **Middle East and North Africa region** recorded slower growth (+7%) in 2018, reaching €1.5bn, following the hike in 2017 (27% up on 2016).

Activity in **North Africa** concerned significant pledges in Tunisia and Morocco to high level policy commitments to support these countries, primarily on issues related to social ties.

AFD has committed to supporting the reform of Egypt's social protection system; it began work in Tunisia's health sector with two iconic initiatives and engaged to support Morocco's gender-sensitive budget process. It also continued its efforts to combat climate change with, for example, a major water supply programme in northern Morocco, the extension of an irrigation programme in the Nile delta, and urban transport development by helping and supporting extensions to the Casablanca tramway and Cairo metro system. Activity in this region still relies heavily on sovereign loans (75%) because of the structure of the economies and the still very small number of grants the region receives (approximately 2% of the volume of activity this year).

A key element of activity in the **Middle East** was the commitments made as part of the Sawa Initiative for resilience and refugees. AFD pledged €42M to finance projects to help both host communities and refugees (Lebanon, Jordan, Iraq).

In the **Balkans**, where activity is in its very early stages, most of the year was given over to project preparation.

It was in **Asia** where commitment authorisations recorded the highest increase (+50%) to reach a figure of €1.8bn. The main beneficiaries were the countries in Southern Asia, followed by South East Asia. Most of the activity involved sovereign loans but a slight increase in non-sovereign activity (€225M) is also to be seen.

Subsidies accounted for 3% of the commitment authorisations over the year. Use of European delegated funds was lower than in previous years: €25M (€65M in 2017) was mobilised via the Asian Investment Facility to help set up projects in India, Vietnam and Sri Lanka.

Public policy loans covered more than 22% of AFD's activity in Asia, primarily an initial budget loan in Uzbekistan to support the country's economic and financial reforms alongside the Asian Development Bank (AsDB).

The **Latin America** region was marked by an election year with very different results. The continent's economic growth was a modest 1.5% (versus 2.2% in 2017) despite significant differences between the countries. The global scenario was complex, characterised by growing geopolitical risks, a slump in capital flows into emerging markets, and higher levels of sovereign risk. AFD's commitments in **Latin America and the Caribbean suffered** as a result, reaching €1.2bn in 2018, shy of the objectives set at the beginning of the year. The business plan was driven mainly by four countries (Argentina, Ecuador, Colombia and Mexico).

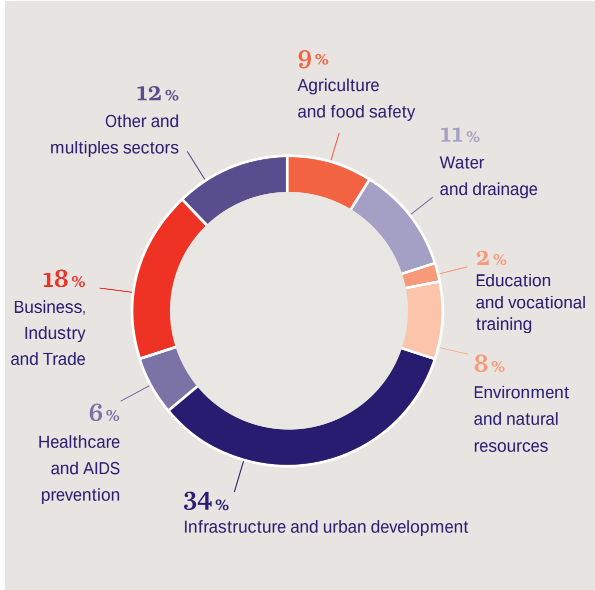
AFD continued to support Colombia and its climate policy through a third public policy loan (€200M), which, what is more, was the only loan in 2018 in a region where recurrent use is made of this type of instrument. Activity in Ecuador, driven by the water and energy sectors, helped engage a commitment of around €75M in 2018. It was AFD's second year of operation in Argentina, where it embarked on its first non-sovereign activities with a public bank at a time when sovereign debt is capped at €100M per annum due to the pressure on Argentina's public finances which was particularly marked this year. In Mexico, energy-related activity continued with a third major transaction (€150M) with the national electricity company CFE. In Brazil, after 2017 saw a recovery from the 2015 economic crisis, and with the presidential elections looming, the year was a write-off for AFD.

BREAKDOWN OF AFD'S APPROVALS BY SECTOR OF ACTIVITY:

The 2017 and 2018 approvals including budgetary aid, guarantees given, loans, subsidies and investments in ongoing operations are shown as follows, by branch of activity:

In millions of euros	2018	2017	% of the 2018 total	% of the 2017 total
Agriculture and food safety	731	633	9%	10%
Water and drainage	898	987	11%	15%
Education and vocational training	182	123	2%	2%
Environment and natural resources	658	148	8%	2%
Infrastructure and urban development	2,776	3,230	34%	49%
of which transport	*1,115*	*854*	*14%*	*13%*
of which energy	*1,223*	*1,513*	*15%*	*23%*
of which development and urban management	*102*	*590*	*1%*	*9%*
of which infrastructure and miscellaneous social services	*326*	*162*	*4%*	*2%*
of which other	*10*	*111*	*0%*	*2%*
Healthcare and AIDS prevention	435	74	5%	1%
Business, Industry and Trade	1,483	738	18%	11%
Other and multiples sectors	992	704	12%	11%
TOTAL	**8,156**	**6,639**	**100%**	**100%**

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



In 2018, **infrastructure and urban development** remained a key sector with 34% of the year's approvals, even although the figure was lower than in the previous financial year. Total commitments were €2.8bn in 2018 versus €3.2bn in 2017. Most of AFD's activity in this sector was in the transport and energy segments.

The spread in transport activity was fairly even in terms of geography and mode: around half of commitments were on the African continent, primarily two major rural road programmes in Kenya and Nigeria; likewise, half of commitments were to further sustainable urban mobility by financing underground and suburban train infrastructures on all continents. 2018 marked the maturity of the MYC (Mobilize Your City) partnership, which helps cities plan for low-carbon mobility and is now deployed on all continents; this in turn led to a stronger partnership with the Asian Development Bank.

In 2018 AFD confirmed its commitment to energy transition, linked to the Climate commitments, with a significant increase in network transformation approvals aimed at incorporating more renewable energies. Africa is still the number one area of operation for AFD when it comes to energy.

The Business, **Industry** and Trade sector was AFD's second area of operation this year with 18% of commitments (€1.5bn) versus 11% in 2017.

Water and drainage accounted for 11% of 2018 commitments at €0.9bn compared to €1.0bn in 2017. Although lower than last year, these commitments easily exceeded the targets set for the Water and drainage strategy for the period 2014-2018. The main area of operation was Asia and the Middle East which, at €440M, accounted for 40% of the total. In Vietnam AFD granted total funding of €128M for several projects to help build resilience to combat the effects of climate change (sanitation, flood prevention, etc.). With commitments of €200M, Latin America is still a business development area in this sector where AFD is funding several initial operations in Cuba and Peru.

In 2018 the water and drainage sector made a massive contribution to combating climate disruption, mainly by way of adaptations. 70% of total funding, i.e. €660M, was associated with climate co-benefits. These were projects to secure water supplies (€380M), combat flooding (€16M) and improve drainage (€260M).

Commitments **in the agriculture and food safety** sector remained relatively stable at €0.73bn in 2018 compared to €0.63bn en 2017, accounting for 9% of AFD's activity.

AFD aligned its action in Sub-Saharan Africa with the 2013-2016 "Food Safety in Sub-Saharan Africa" strategy, exceeding the strategy target in 2018 by granting funding of €490M. Around 40% of the projects targeted the Sahel, supporting food safety and the resilience of farming in vulnerable areas.

Environment and natural resources commitments trebled between 2017 and 2018 to reach €0.66bn.

A 2018 highlight was the significant recovery of funding for biodiversity and the sustainable management of natural resources with a record €342M in commitments. This compares with €75M in 2017 (biodiversity funding excluding the diversity component of other projects). In 2018, 85% of AFD's biodiversity funding was allocated to the Eastern region (€291M), with 10% for Africa (€34M) and 2% (€7M) for the Three Oceans.

The **healthcare and AIDS prevention sector** accounted for 5% of AFD's activity in 2018 versus 1% in 2017.

In 2018, AFD funded 36 projects (24 in 2017) in the healthcare and social protection sectors for a total of €545M, i.e. almost double the historic trend for the period 2011-2017, of which €495M was allocated to Foreign Countries (91%) and €50M to French Overseas Departments and Collectivities (9%). The funding granted (€473M) was in the form of loans of which 80% were sovereign loans, 10% non-sovereign loans, and 11% subsidised loans in French Overseas Departments and Collectivities.

Finally, in the education, vocational training and youth employment sector AFD began 21 new projects in foreign countries in 2018 (14 in 2017) for a total of €281.5M, of which €100M in non-sovereign loans, €70M in subsidies, €50M in C2D and €60M in Global Partnership for Education (GPE) delegations. This marks a recovery from the 2017 low of €156M but still failed to meet the target set by the Agency's strategic plans (an average of €350M). Several operations which were originally planned for 2018 but postponed to 2019 will contribute to the sector's expected growth in 2019. Of the projects undertaken in 2018, 16 were in Sub-Saharan Africa (€216M equating to 77% of total funding) and 5 in the Mediterranean.

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 2018/2017	
In millions of euros	**2018**	2017	€M	%
Approvals	**821**	**981**	**-160**	**-16%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	465	713	-248	-35%
• French Pacific Collectivities	356	268	89	33%
Disbursements	**669**	**700**	**- 31**	**-4%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	418	395	23	6%
• French Pacific Collectivities	251	305	-54	-18%
Undisbursed balance at 31 December	**897**	**962**	**-64**	**-7%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	585	739	-154	-21%
• French Pacific Collectivities	313	223	90	40%
Outstandings at 31 December	**5,410**	**5,181**	**229**	**4%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	3,582	3,329	253	8%
• French Pacific Collectivities	1,828	1,852	-24	-1%

Breakdown by region

	Approvals		Variance 2018/2017	
In millions of euros	**2018**	2017	€M	%
French Overseas Depts and Collectivity of St Pierre and Miquelon	**465**	**713**	**-248**	**-35%**
Guadeloupe	99	200	-101	-51%
French Guiana	18	53	-36	-67%
Martinique	66	205	-139	-68%
Réunion	203	215	-12	-6%
Mayotte	60	37	22	60%
St Pierre and Miquelon	7	2	5	226%
Multi-country French Overseas Departments	13	0	13	
French Pacific Collectivities	**356**	**268**	**89**	**33%**
New Caledonia	175	225	-50	-22%
French Polynesia	176	43	133	312%
Multi-country French Overseas Territories	5	0	5	
Wallis & Futuna	0	0	0	
TOTAL	**821**	**981**	**-160**	**-16%**

At €0.82bn, 2018 approvals in the French Overseas Departments and Collectivities were down 16% on the 2017 figure of €0.98bn. The fall was experienced in all the regions with the exception of French Polynesia and Mayotte.

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

	Approvals		Variance 2018/2017	
In millions of euros	**2018**	2017	€M	%
Ongoing operations	822	985	-163	-17%
Loans	**821**	**981**	**-159**	**-16%**
Public sector	688	842	-154	-18%
Subsidised loans to local authorities	322	229	93	41%
Other loans – public sector	366	613	-247	-40%
Private sector	133	139	-5	-4%
Direct financing	83	139	-55	-40%
Banks	50	0	50	
Mayotte subsidy	**0**	**2**	**-2**	**100%**
Guarantees(1)	**1**	**2**	**-1**	
Guarantees granted to the public sector	0	0	0	
Guarantees granted to the banking sector	0	0	0	
French Overseas Department Fund	0	0	0	
SPM and Mayotte guarantee funds	1	2	-1	
Equity stakes	**0**	**0**	**0**	

(1) The guarantees presented above do not include Sogefom approvals (€31.6M in 2018) and FOGAP approvals (€1.16M in 2018)

While private sector activity was relatively stable (€133M in 2018 and €139M in 2017), commitments fell significantly in the public sector. Loans to the public sector fell €154M to €688M at the end of 2018, i.e. a drop of 18%. The drop affected equally loans to local authorities and all other public sector loans.

Despite a difficult economic situation for public sector operators, in particular the local authorities whose borrowing capacity - and therefore investments - fell significantly, commitment volumes in this sector were €688M.

Subsidised loan activity grew significantly to €322M of which €103M was granted to the equivalent Pacific Green Fund (PSP Vert). This growth was largely due to the facility being extended to all overseas territories (in 2017 they were available only to Pacific territories). As a result, this allowed additional support for projects linked to waste treatment and the medico-social sector.

In the private sector, loans granted to firms came to €133M. These satisfactory results generated renewed refinancing activity in the banking sector (Bank PCM) to the tune of €50M. Loan commitments to private firms were down at €83M due to particularly tough competition in the world of finance, the postponement of several long-gestation projects and the decision not to follow through a funding request further to an unfavourable opinion handed down by the risks division.

1.6.6 Intellectual output

1.6.6.1 Research, training and publication activities

The focus of research work was the POS IV commitments, revolving around three priority themes:

- solidarity and human development;
- governance, the commons and regions;
- climate, energy and natural resources.

The Sahel received special attention with a research project centred on four areas: the population outlook, informal education, social inclusion and informal education, and governance, agro-ecology and the climate.

Research work into solidarity and social ties will foster and support the operational implementation of this, one of AFD's key commitments. The work favours an inclusive approach, particularly in terms of the employment market and access to social protection, with a geographical focus on the Sahel and Latin America. Alongside this, a study conducted in Colombia will look at the link between the 100% social ties commitment and the 100% climate commitment. Migration research will primarily be based on the OECD's[1] DIOC. Studies on the education, training, employment continuum will focus on informal education such as Arab-Islamic teaching in the Sahel countries.

On the theme of Governance, the commons and territories, AFD is following up the recommendations for operational implementation which emerged during the 2018 "Sprint sur les commons" initiative: (i) reproduction and distribution of the "commonland" game – designed to help teams appropriate the theme of common assets – possibly with an irrigation angle, (ii) creation of a digital platform to collate shared experiences of

(1) Immigrants in the OECD database

innovations specific to the commons in the countries in which we operate. Sector studies are ongoing for commonland in urban communities and commons management in the water sector. In addition, a commons approach is also adopted when researching social ties and territory management. Studies on the structural transformation processes focus on the role played by industry in Africa and the creation of quality sectors. Finally, a study is underway to create a quality indicator for public expenditures.

AFD's research into the Climate, Energy and Natural Resources 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. Work began in 2018 on the financial risks of climate change, notably a case study on the transition risk South Africa faces on account of its dependency on coal.

Grounded in a partnership process, all research programmes will promote the national research networks of our partner countries. After signing a memorandum of partnership with the Côte d'Ivoire (2016) and Tunisia (2018), the aim will be to extend the approach of strategic dialogue to Morocco and Mali. In addition, AFD continues to develop macro-economic models[1], with the help of its GEMMES tool. Six models are currently under development (Brazil, Côte d'Ivoire, Colombia, Vietnam, Tunisia and Morocco).

To support operations and harness risks, more than 15 country macro-economic evaluations have been carried out. These evaluations have focused primarily on (i) AFD's high-risk countries (Tunisia, Jordan, China, Turkey, Morocco, Brazil, Colombia), and (ii) countries where an initial macro-economic overview is helpful in drawing up an AFD intervention strategy (Albania, Angola, Mongolia, Namibia). To supplement the country evaluations, cross-border macro-economic analyses have been conducted on (i) the challenges of the monetary union of the countries in the CFA Franc area, (ii) economic diversification in the WAEMU and CAEMC countries, and (iii) public-private partnerships and sovereign risk.

2018: AFD LEADS THE WAY ON INEQUALITY

In 2018, AFD organised an international conference on the topic of inequality and solidarity. Held on 6 and 7 December 2018 at the Arab World Institute in Paris, it welcomed international experts on the topic together with some 450 delegates.

Work on inequality will continue in 2019 supported by the EU's delegated funding facility (AFD will receive €4M over three years) and feedback will be given at the European development days on the topic to be held in Brussels in June 2019.

Assessments

AFD commissioned ex-post evaluations of the projects and programmes it finances and also more-strategic 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.

Publications

In 2018, 67 publications were published bringing to almost 780 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, governments, our partners and documentation centres. The publications are promoted in several channels: a dedicated "Development studies and knowledge" newsletter, through an active social media presence (1,183 members of the dedicated LinkedIn Group) and at conferences and at publication-related events.

1.6.6.2 The development campus

In 2018, the Campus provided long-term training to 75 young professionals (Project Management Masters in partnership with Auvergne university), classroom or combined classroom/online courses to upskill almost 800 executives (primarily in Sub-Saharan Africa, North Africa and South-East Asia) from ministries, public service institutions, finance institutions, companies and NGOs.

The Development Campus also reconfigured the Campus' "historic" training courses such as the Parcours Pilotage des Collectivités Locales (local authorities steering programme - PCL) and the MODEV (Development Project Management) Masters. In response to feedback from partners, the PCL is moving towards becoming a support programme to help local authorities in the implementation their sustainable region project. This also includes a change of scope with hybrid courses combining classroom and remote learning and a regional version tested in Madagascar in 2018.

(1) *General Monetory and Multisectoral Macrodynamics for the Ecological Shift*

Supporting/facilitating communities of players involved in change is now a key component of the training product. The Ariz, Agreenfi and Sunref "inclusive finance clubs", plus the facilitation of these communities of practice by peer-to-peer experience sharing, are more relevant than ever. In 2018, the Social and Inclusive Business Camp helped 60 African start-ups as part of a growing community which today includes 150 project initiators and mentors. The format, a mix of classroom and digital, is uniting and mobilising the whole Group and a growing number of partners: the French Ministry of Europe and Foreign Affairs, the Monegasque Cooperation, the Institut Français, the ANIMA network dedicated to the economic development of the Mediterranean, and the Investors and Partners group. The creativity and collective intelligence courses are backed by the PLAY offering, an iconic example of new learning methods. It will continue to be rolled out in all Campus training courses and also be used as an in-house discussion tool.

Digitisation of the training offering continued in 2018 with the insertion of digital modules in the classroom sessions (virtual classrooms or webinars in the Modev Masters and PCL training, etc.) and digital coaching in the Social and Inclusive Business Camp. The online "Public Procurement" training attracted 250 participants in 2018, which confirms a change of scope and the effectiveness of the "motivator tutor", an innovative learning tool which took the completion rate to over 85%. The "Ecological transitions, energy transitions" MOOC designed with the ENS was opened up for the second year and attracted 3,100 listeners in 2018, more than in the 2017 session. Students take the training further by leading a community. A founding member of the UVED (Université Virtuelle pour l'Environnement Durable - virtual sustainable environment) since the end of 2016, AFD also helped create the SDG MOOC in 2018, attracting over 13,000 students.

1.6.7 Proparco's activity

Proparco's approvals in 2018 (excluding sub-participation loans on behalf of AFD and other third parties), amounted to €1,122M (compared with €1,084M in 2017), and are broken down as follows:

- lending and quasi equity transactions in the amount of €869M (€766M in 2017);
- equity investments in the amount of €253M (€245M in 2017);
- no guarantees in 2018 (€73M in 2017).

In 2018, Africa remained at the core of Proparco's geographical mandate and approvals on the African continent reached €452M, representing 40% of own account approvals; Latin America and the Caribbean represented €435M, Asia €128M and Europe €50M. €72M was approved for projects which impact several countries.

Proparco devoted 35% of its activity to projects aimed at combating climate change.

Proparco's 2017-2020 strategy adapts its services to its customers' changing requirements with the objective of achieving €2bn of commitments in 2020, representing a doubling of commitments in order to triple the impact. The strategy focuses on six operational priorities: Africa, border countries, the "Climate", mobilising third parties, environmental and social support and financing of innovative projects.

	Own lending		Equity stakes		Other investments		Guarantees		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
West Africa	84.8	90.0	21.8	20.0	-	-	-	-	106.6	110.0
Central & East Africa	61.2	91.4	11.1	31.0	-	-	-	35.9	72.3	158.2
Southern Africa	45.1	53.2	10.0	-	-	-	-	37.0	55.1	90.2
Multiple countries Sub-Saharan Africa	15.0	15.0	27.3	42.7	30.7	9.4			73.0	67.1
Indian Ocean	42.9	15.0	-	-	-	-	-	-	42.9	15.0
North Africa and Mediterranean	78.4	130.6	21.9	28.6	1.5	-	-	-	101.8	159.2
Asia	85.9	110.1	42.4	42.8	-	-	-	-	128.3	152.9
Latin America and Caribbean	354.8	201.2	43.3	40.2	22.1	-	-	-	420.1	241.4
France's overseas provinces	-	-	-	-	-	-	-	-	-	-
Europe	40.0	-	9.8	-	-	-	-	-	49.8	-
Multi-country	6.4	50.4	65.3	39.2	-	-	-	-	71.7	89.6
TOTAL	**814.4**	**756.8**	**252.9**	**244.6**	**54.3**	**9.4**	**-**	**72.9**	**1,121.6**	**1,083.7**

In 2018, loans were approved for 30 countries (excluding multi-country loans), including at the top of the table Ecuador, Salvador, Argentina, India, Nigeria, South Africa, Mauritius, Serbia, Brazil and Honduras.

The breakdown of loan approvals by sector is very uneven and notable for the dominance of the financial institutions sector with €371M, representing 46% of own account loan authorisations, divided between banks, microfinance and non-bank financial institutions. The infrastructure sector, in second place, represented €278M, accounting for 34% of total approvals. The corporate sector amounted to €165M, representing 20% of own account loan approvals.

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

Statement of non-financial performance

Background

Since 2004, AFD Group has been developing and implementing a corporate responsibility (CSR) approach covering both its internal operations and funding activities.

On 8 March 2018, the AFD Board of Directors adopted a new corporate social responsibility policy pertaining to the 2018-2022 period, which strives to support the Group in the implementation of its 2030 agenda for sustainable development[1]. 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.

Presentation of the process

Following the transposition of European Directive 2014/95/EU[2] 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 "non-financial performance statement", the "DPEF".

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 company 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 admitted to trading on a regulated market, AFD is required to issue this new statement for the first time for its financial year 2018, on a consolidated basis. The chosen methodology is set out in the methodology note in Appendix 9, whereas the actual statement is included below.

2.1 The business model

Under Chapter 1 of this document (Activities of Agence Française de Développement Group in 2018).

(1) 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.

(2) 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.

2.2 Identification of the main non-financial challenges 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 non-financial performance statement is based on the main non-financial risks and challenges 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 operational risk mapping is updated each year, based on a bottom-up approach (the risks being identified and rated by the businesses at the finest level of the organisational chart). The risk guideline is shared by all the Group's structures. It included 80 risks in 2018, classified into 7 categories[2]. The last update enabled a specific focus to be made on corruption risks (in accordance with the requirements of the "Sapin II" law).

ii. The non-financial challenges deemed most relevant for AFD Group were identified and ranked based on a materiality analysis. This analysis aims to offer a consensual view of the priority challenges 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 challenges pre-defined by GRI[3], the analysis had made it possible to identify, initially, the 58 CSR challenges relevant to the Group's scope of activity; following that, to pre-select those considered most significant for AFD Group, based on a documentary analysis, a benchmarking study conducted on comparable institutions, and qualitative interviews with senior management. This resulted in a list of 16 material challenges that were approved by Senior Management.

This materiality analysis was updated in 2017. To take account of changes in the global economy and the French entity, and to reflect the strategic development of the Group, some of the 2015 challenges have been adjusted and four new challenges have been added, namely:

- impact of activities on local communities and indigenous populations;
- promoting diversity within teams;
- employee support as part of the Group's transformation (agility, stress, well-being);
- synergies with the private economic sector to benefit the SDG. These challenges were then prioritised thanks to ratings by internal and external stakeholders[4] in order to obtain the updated materiality matrix presented in Appendix 10.

For the purposes of the non-financial performance statement (DPEF), AFD Group reviewed priority challenges and risks at the end of 2018. This exercise was carried out 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 a review of 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 challenges. 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 of consistency with the material challenges presented.

(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) To help rate the challenges, a questionnaire was sent to 106 people (of whom 41 outside the Group); 45 people (of whom 17 external) responded.

The review made it possible to target the main non-financial risks that will be presented in the non-financial statement (DPEF) and to refine their correspondence with non-financial challenges, leading to the list of 15 challenges associated with these risks guiding the DPEF (see below).

Challenges included in the materiality matrix	Risks associated with each challenge	Correspondence with DDR
Transparency of funds granted	• Risk of misappropriation of financial aid, of corruption and fraud	§ 2.3.1
Dialogue with stakeholders	• Risk of discrepancies between the expectations and requirements of the stakeholders and AFD's services (projects funded)	§ 2.3.2 § 2.4.1, 2.4.2
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	§ 2.4 (2.4.1, 2.4.2) § 2.5
Coordination with development players	• Risk of lack of coordination with the other players (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)
The activity's impact on Sustainable Development Goals	• Reputational risk related to discrepancies between the projects funded and the strategic areas defined by the Sustainable Development Goals and the Paris Agreement (unaligned interests)	§ 2.5.1, 2.5.2, 2.5.3
Analysis of environmental risks	• Risk of non-compliance with AFD's obligations in terms of impact analysis and compliance with environmental standards	§ 2.4 (2.4.1, 2.4.2)
Stronger project management	• Risk of non-compliance with procedures and contractual clauses by project managers	§ 2.6.3
Fraud	• Risk of non-compliance with fraud and AML/CTF procedures • Risk of no information feedback due to the non-existence of a whistleblowing mechanism	§ 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
Impact on climate change	• Reputational risk related to discrepancies between the projects funded and the strategic areas defined by the Sustainable Development Goals and the Paris Agreement	§ 2.5.3
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	§ 2.5.1, 2.5.2
*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 challenge formulated as such in the materiality matrix covers employee dialogue and relations.
** Issue not included in the current materiality matrix.*

2.3 Transparency and dialogue with stakeholders

2.3.1 Transparency of funds granted

Transparency of funding is a strong corporate and social responsibility challenge for AFD Group. The transparency of AFD's activities must be ensured in compliance with regulatory requirements linked to its legal form and in compliance with French data protection laws. Furthermore, within the scope of its activities, the Group must ensure there is no risk of aid being misappropriated, of corruption and fraud.

In March 2018, the AFD Board of Directors approved AFD Group's new transparency and dialogue policy(1). Through this policy, 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 stakeholders.

This policy aims to ensure accountability of its 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 protection of trust and sensitive information, attentive listening, and dialogue.

Internally, AFD has a legal notice supporting the disclosure of information and monitoring compliance with the rules applicable to confidential information and professional secrecy. AFD's staff is required to refer to this notice to better understand the concept of professional secrecy. An information disclosure procedure has been implemented to support staff with this exercise in transparency. It describes how information disclosure requests sent to AFD by third parties should be processed. 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 AFD Group, its strategy, financing transactions and intellectual productions.

AFD is continuing its policy to publish business data in the IATI format on its own open data website, http://afd.opendatasoft.com/. At 31 December 2018, published project data covered 63% of sovereign projects underway in an amount greater than €100K, financed in all the countries where AFD operates.

Number and % of sovereign projects reported in IATI format

Financial aid to be disclosed (number)	1,346
Financial aid disclosed (number)	844
Financial aid disclosed (%)	62.70%

2.3.2 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 presented at the Board of Directors meeting of 8 March 2018 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 2018, AFD launched a digital consultation process to enable all its internal and external stakeholders to react to the strategic proposals that will guide the Group's actions over the 2018-2022 period. The consultation, which was held from 12 February to 16 March, involved 860 external participants and 213 employees. All of these contributions were taken into account, summarised and published on the digital consultation platform(2). In line with AFD's commitment, a feedback meeting was organised, attended by about 100 people, where AFD presented its arguments on the 12 most popular proposals.

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) https://consultation-numerique.afd.fr/.

2.4 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 of the transactions 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.

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

AFD has adopted an environmental and social risk management policy for the operations it funds(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 2018, 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 2018, in number of projects granted (foreign governments)

E&S risk	Number of projects	%
A	14	6.5%
B+	36	16.8%
B	68	31.8%
C	66	30.8%
FI-A	17	7.9%
FI-B	6	2.8%
FI-C	7	3.3%
TOTAL	**214**	**100%**

Environmental and social risks of AFD's portfolio in 2018, in amounts granted (foreign governments)

E&S risk	Amounts granted (€M)	%
A	1,291	17.7%
B+	1,881	25.8%
B	2,168	29.8%
C	859	11.8%
FI-A	925	12.7%
FI-B	145	2.0%
FI-C	12	0.2%
TOTAL	**7,281**	**100%**

(1) This policy was adopted by the AFD Board of Directors in July 2017; it is available on AFD's website: https://www.afd.fr/fr/politique-de-maitrise-des-risques-environnementaux-et-sociaux-lies-aux-operations-financees-par-lafd.

In 2017, AFD launched its environmental and social complaint management system whereby any person or group of persons affected environmentally or socially[1] by a project funded by AFD has the possibility to lodge a complaint.

In order to be registered by the System, a complaint must meet the following criteria:

- concern a project financed by AFD in a foreign State, excluding NGO projects[2];
- cover an environmental and social harm (E&S);
- describe the efforts deployed previously to resolve the dispute with the financing beneficiary.

An eligibility study is then carried out, based on the criteria defined within the System's rules, available on AFD's website.

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

- reconciliation, aiming for the amicable settlement of a dispute between the complainant and the recipient of the AFD funding. AFD then offers mediation services, but is not involved in the mediation process;
- an audit to analyse AFD's compliance with its environmental and social procedures. The audit leads to the implementation of remedial actions in the event of non-compliance.

In this respect, the System helps manage operational risk. When environmental and social impacts are not avoided, reduced or offset according to the provisions of the environmental & social management plans of the projects funded by AFD, the System makes it possible to consider reparation.

Generally, the System strengthens 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

Number of complaints received by the System versus number of complaints registered/processed

General overview

	2017	2018
Complaints sent to the System	2	8
• ***registered***	1	0
• ***not registered***	1	8
Other complaints (reported in the System by operating departments - informal processing by the System)	1	3

Non-registered complaints (2018)

Reason for refusal of registration	Complaint No.	Processing method
Complaints regarding procurement issues	2	Forwarding to the "procurement support" unit for management
Complaint not regarding an environmental and/or social impact	2	Letter of refusal of registration
Complaints regarding projects not funded	2	Simplified interaction with the operating services to take into account any concerns in the preparation of the project
Complaints regarding NGO projects	1	Letter of refusal of registration, and forwarding to SPC/OSC to alert the financed NGO of the reported dispute
Complaints not covered by prior successful discussions with the counterparty	1	Simplified interaction with the counterparty and monitoring of solutions provided

(1) https://www.afd.fr/fr/dispositif-de-gestion-des-reclamations-environnementales-et-sociales.
(2) The projects initiated by the NGOs do not apply AFD's E&S risk management approach, and are not eligible for the System.

2.4.2 Management of environmental and social impacts at Proparco

Proparco also establishes an environmental, social and governance risk management process through a system(1) similar to that of AFD, which is also inspired by the best practices of International Financial Institutions.

Its approach relies on the performance standards of the IFC, the international labour standards of the ILO, the FAO guidelines for land use, and the fundamental principles of the Universal Declaration of Human Rights. It consists in (i) assessing the environmental and social risks and impacts of each project presented to Proparco's decision-making bodies and the measures provided by funding recipients to address these risks and impacts; (ii) proposing additional measures to be implemented by clients in order to limit these risks or offset their effects; (iii) monitor the implementation of these measures during the execution of the operation; (iv) ensure the project's proper management of unforeseen events with negative environmental and/or social impacts; and (v) where applicable, support the client with improving their ability to manage and implement 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.

Environmental and social risks in the Proparco portfolio 2018, in number of projects signed (EE)

Risks	Number	%
A	8	13%
B+	20	32%
B	4	6%
FI – A	10	16%
FI – B	13	21%
FI – C	7	11%
GRAND TOTAL	**62**	**100**

Environmental and social risks in the Proparco portfolio 2018, in amount signed (EE)

Risks	Amount in €000s	Percentage
A	€264,836	20%
B	€59,398	4%
B+	€373,359	28%
FI – A	€365,533	27%
FI – B	€258,841	19%
FI – C	€33,207	2%
GRAND TOTAL	**€1,355,175**	**100%**

2.4.3 Human rights due diligence

As seen above, compulsory diligences with respect to operations necessarily include social risk assessments for the projects being funded. 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.

(1) https://www.proparco.fr/fr/responsabilite

2.5 Impact of the group's activity on sustainable development

Managing impacts on local communities forms part of the mission entrusted to AFD Group by the French State to help implement French development policy. It lies at the core of the Group's corporate responsibility.

Adopted in 2018, AFD Group's strategic orientation plan places its action within the framework of the Sustainable Development Goals (SDG) and the Paris Agreement in order to help build "a world in common". Accordingly, AFD Group is responsible for helping to achieve the 17 goals of the 2030 Agenda through 6 transitions: demographic and social, energy, territorial and ecological, digital and technological, and political and public.

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

2.5.1 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 results 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.

2018 AFD ex ante result indicators

Categories	Indicators	Annual volume
Transport	Annual volume of passengers using new or modernised public transport	15,540,330
	Daily volume of passengers using new or modernised public transport	42,576
Low-income neighbourhoods	People whose housing is improved or secured	545,000
Energy	People connected to the electricity grid or with access to electrification	34,919,894
Water and drainage	People with access to a permanent source of drinking water	4,000,457
	People with access to an improved sanitation system	287,500
Education and employment	Children enrolled in primary and junior school	697,935
	Young adults enrolled in vocational training courses	37,727
Microfinance and economic fabric	Small businesses benefiting from financial aid or funding	26,627
Agriculture	Family farms receiving direct support	807,730
Energy	Establishment of renewable energy capacity	1,960
	Number of people with access to electricity	511,600
Healthcare	Number of people with improved access to healthcare	15,234,504
Employment	Direct and indirect job creation	147,659
Essential goods and services	Final recipients of essential goods & services	733,120

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

Approval (in euros)	Year 2018	2017
CICID sector		
Agriculture and food safety	935,380,261	831,348,916
Water and drainage	914,276,869	1,084,185,073
Education	267,648,219	173,933,242
Environment and natural resources	702,694,942	237,293,804
Excl. CICID	1,058,119,084	907,514,133
Infrastructure and urban development	2,981,991,758	3,535,866,063
Health/AIDS	444,531,629	134,043,499
Business, Industry and Trade	1,538,262,809	762,654,288
GRAND TOTAL	**8,842,905,570**	**7,666,839,019**

Furthermore, since 2014, AFD has been relying on a "Sustainable development analysis and opinion" system that aims to simplify cross-business consideration for sustainable development issues in funded projects. This system consists of (i) an analysis conducted by the project team during the pre-survey, providing the wherewithal to assess the expected effects (positive or negative) for each aspect of sustainable development, and (ii) of an independent opinion given in the memoranda submitted to decision-making bodies. Covering six aspects[1], the analysis and opinion help to assess the consistency of the projects with respect to sustainable development goals.

2.5.2 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, Proparco has also 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.

The five strategic impact goals prioritised by Proparco are the base for providing a significant contribution to several Sustainable Development Goals, in particular SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 7 (Affordable clean 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 (action combating climate change).

The impact measurement approach established by Proparco includes the performance of an impact analysis for each project with respect to economic and social development, as well as the climate and environment. To this end, Proparco has selected a list of indicators to measure the projects' potential impact and assess their contribution to the SDGs. This analysis is conducted during the pre-survey and entered into the project's documentation submitted to decision-making bodies.

(1) The six aspects of the sustainable development analysis are: (i) sustainable growth and resilient economy; (ii) social well-being and reduction of social inequalities; (iii) 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-lasting effects of the governance project and framework.

2018 Proparco ex ante result indicators

SDG	Indicator	2018 value
Economic fabric SDG 8	Net value added to the economy through wages, rental income, local benefits, etc. paid by our companies *(€m)*	1,867
	Contribution to GDP through our renewable energy production infrastructures (€m)	11.6
	Creation or preservation of direct jobs	196,700
	Creation or preservation of indirect jobs	1,208,500
SDG 17	Public revenue *(€m)*	482
SDG 7 & 13	Climate: Tonnes of CO_2eq avoided	1,528,500
	Energy: renewable energy capacity established (MW)	886 MW
Access to basic goods and services (SDG 3, SDG 6, SDG 7, SDG 8, SDG 10)	Number of beneficiaries *(in millions of people)*	22.6
	of which Energy: access to green electricity *(millions of people)*	10.0
	of which Microfinance: access to microcredit *(millions of people)*	1.47
	of which Water: improved access to water *(millions of people)*	10.0
	of which Healthcare: new/improved access to a health service	1.16
	Healthcare: Number of additional beds installed	415 beds
SDG 12	Projects receiving ESG support	38 projects (82 companies supported since 2017)
SDG 9	Innovative projects	17 projects

The results figures correspond to the *ex ante* expected impacts from the projects signed in 2018 and subject to an impact analysis. Out of 68 projects signed this year, 61 projects were subject to an estimate and *ex ante* analysis of the expected impacts(1).

2.5.3 Impact of the Group's activity on climate change

2.5.3.1 The 2017-2022 Climate Development strategy

AFD Group's commitment to the climate has become a key feature of its action. Committed to this global challenge for more than 10 years, the Group 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 4 goals:

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

ii. Increasing climate finance volumes: 50% of AFD 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.

2.5.3.2 AFD's climate financing in 2018

In 2018, AFD Group approved 170 climate protection projects in foreign countries, for a total amount of €4,784bn in financing (an increase of nearly 20% compared with 2017). As such, AFD Group achieved 51% of financing with co-benefits for the climate, surpassing the target set in its "Climate and Development" strategy.

The climate projects financed in 2018 covered two areas, namely:

- adaptation to the impacts of climate change: €3.148bn in funding;
- mitigating climate change: €1.636bn in funding.

These projects will help prevent 10,553,909 tonnes of CO_2 equivalent every year throughout their life cycle.

(1) The 7 projects that were not subject to an analysis correspond to: 3 bridge/top up projects and one refinancing project for which the impacts had already been measured and recognised at the initial project signature, 2 ICCF projects and a project assessed as «fast track».

Moreover, the Group is continuing its action in the area of Climate Bonds, started 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, an external opinion, 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. In 2018, it issued a third climate bond for €500m over 7 years. As such, its outstanding Climate Bonds now account for €2.25bn.

2.5.3.3 A stronger partnership strategy

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

In October 2017, it was appointed Chair of the International Development Finance Club (IDFC), a network of 23 national, regional and international development banks, and the foremost global public sponsor for the climate. Climate finance is one of the principal unifying themes within this network. AFD plays a very active role in this respect, in particular by promoting compliance with the Paris Agreement. In this regard, in its capacity as Chair of the IDFC, AFD has helped to organise side events during the COP24 and to publish a joint position paper on consistency with the Paris Agreement for IDFC.

Accredited since 2015, AFD continues to collaborate with the Green Climate Fund by signing the accreditation framework agreement during the COP23 in November 2017. This paved the way to implementing AFD's first two operations approved by the Green Climate Fund, in October 2016 and April 2017 respectively. The Green Climate Fund's first two disbursements were set in February 2019 for both projects: i) a programme to combat flooding risks in urban environments in Senegal (AFD financing of €50M), and ii) a project to develop irrigation and to adapt agriculture to climate changes downstream from the Kaddoussa dam in Morocco (AFD financing of €41M). During the Board meeting of October 2018, AFD's large-scale programme entitled "Transforming financial systems for the climate" was approved by the Green Climate Fund Board (GCF). This programme, which represents more than US$750M, marks AFD Group's pioneering ambition to implement the Paris Agreement by accelerating the shift in investment flows towards low-emission and climate change resilient development. Some 30 local financial institutions located in 17 recipient countries, of which 16 are located on the African continent, will benefit from the programme. Some 15 transactions are currently being identified/assessed in with the Green Climate Fund.

Since the end of 2016, Proparco has also been accredited to act as a financial intermediary and channel resources on behalf of the Green Climate Fund. The memo for "Approving the implementation of projects or programmes, backed by the Green Climate Fund" establishing the opportunity for a strategic partnership between the Green Climate Fund and Proparco to support the private sector in the low-carbon transition, was presented to the Board of Directors on 5 October 2018. Moreover, on behalf of AFD Group, Proparco will implement the part of the TFSC programme in favour of private Local Financial Institutions (LFI).

2.5.3.4 Direct environmental footprint and carbon offsets

In line with its "100% Paris Agreement" commitment, AFD Group has undertaken to control direct greenhouse gas (GHG) emissions by simultaneously working to reduce them and offset them.

Connected to the energy, digital and technological transition, efforts related to energy performance and digital strategy (including paperless electronics) are measurable (see Appendix 10).

The Group's environmental footprint is assessed every year.

In 2018, the increase in GHG emissions for head office operations (25,237 tCO_2eq in 2018, versus 21,370 tCO_2eq the previous year) was 5% per employee; it can be attributed to growth in the workforce, combined with inherent real estate, equipment and professional assignment provisions.

Adopting a carbon-neutral approach for its activities, AFD Group's proactive strategy since 2007 has been to offset 100% of its residual emissions by purchasing carbon credits. These credits serve to fund projects with environmental and social co-benefits.

Accordingly, in 2018, it continued to support biomass projects, the protection of forests in Brazil, and access to water in Uganda.

2.6 Coordination with development players: the "automatic switch to partnership"

As part of its 2018-2022 Strategic orientation plan, adopted by the AFD Board of Directors in July 2018[(1)], 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, Expertise France, other public players, regional authorities, NGOs, businesses) and with European and international players, in particular IDFC.

Against this background, AFD Group will prepare a new partnership strategy in 2019 to specify the ambition of its Strategic orientation plan and place the partnership way of thinking 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-business partnership strategy with civil society organisations for the 2018-2023 period, published on the Agency's website[(2)].

The funding granted under the "CSO Initiatives" strategy continued to increase, reaching €84M in 2018. This amount accounts for the funding of 100 projects initiated by French CSOs with their partners from developing countries.

During the year, AFD also signed the first multi-annual partnership agreements in favour of the NGOs with which it has long-term partnerships: Humanité et Inclusion (Handicap International), Médecins du Monde, Action Contre la Faim, and CCFD Terre solidaire. At the end of 2018, the portfolio of projects under way included 420 CSO projects for an overall cofinancing amount of €350M.

More than 86% of funding granted in 2018 was invested in operations on the ground (most of which were Africa-related). The main targeted sectors were as follows, in order of importance: human rights and governance, agriculture and food safety, health and education, environment, energies and the climate. 14% of the funding granted was invested in public interest projects (Education in support of development and international solidarity – EADSI, and structuring community programmes).

2.6.2 Partnerships with European and international players

In 2018, AFD Group continued its financial cooperation with the European Union. €271M in EU funds delegated to AFD were covered in resolutions by AFD bodies in 2018. In addition to these delegations of EU subsidies, new investment guarantees were granted by the European Fund for Sustainable Development (EFSD). €253M of AFD Group guarantees were approved by the EFSD in 2018, plus specific technical assistance budgets.

Globally, AFD financing approvals using resources from other sponsors topped €428M in 2018.

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. Within this framework, 2018 was marked (i) by the transition from individual to collective guidance, raising the awareness of nearly 300 employees on capacity building, (ii) by the operationalisation of a differentiated approach (recommendations on methods implemented in the Sahel region, as part of the International High Level Conference on the Sahel), and (iii) by developing partnerships that enabled AFD to enhance its approaches. In 2019, the integration of Expertise France will provide AFD with additional and complementary leverage to reach its goals set with partners.

Since 2013, AFD has adopted a cross-business capacity building strategy that aims[(3)] 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. 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).

(1) This concerns AFD Group's global strategy, published on its website: https://www.afd.fr/fr/plan-dorientation-strategique-2018-2022

(2) https://www.afd.fr/sites/afd/files/2018-06-04-17-28/Strat%C3%A9gie-OSC-VF-version-finale.pdf

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

Over and above its own project-based capacity building activity (through loans and/or subsidies), AFD has acquired specific capacity building tools for its project management, such as the Project start-up, preparation and monitoring facility (FAPS), the Expertise and capacity-building fund (FERC), the Technical expertise and experience-sharing fund (FEXTE), the Financing of French regional authorities facility (FICOL), and the fund supporting governance capacity building (FRCG). In 2018, commitment authorisations for these tools amounted to €53M.

AFD can also use EU delegated loans to enlist technical expertise.

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 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, AFD Group has adopted a general policy implemented through operational procedures describing the checks[1] to be carried out by its employees at the different stages of a project's life cycle.

Moreover, since 2017, AFD Group has been implementing an extensive programme to prevent and combat corruption and influence peddling within the Group, in compliance with the new "Sapin II" act applicable as from December 2016. In 2018, the Group adopted a code of conduct[2] clarifying the expected or prohibited behaviour of Group employees regarding the prevention and fight against corruption and influence peddling in performing their duties. In January 2019, the Group adopted a professional whistle-blowing system open to internal employees and external or temporary service providers working for the Group. In 2018, the mapping of the risks of corruption and influence peddling was integrated into AFD Group's operational risks mapping. It will be updated every year as from 2019. In addition to the pre-existing evaluation procedure of counterparties, in 2019 the Group will adopt a procedure to evaluate the situation of its tier 1 suppliers with respect to potential risks of corruption and influence peddling. The tightening of checks verifying the merits of transactions (no accounting records likely to conceal acts of corruption or influence peddling) started in 2018 and will be completed in 2019. Awareness and training campaigns for AFD Group employees on the anti-corruption programme started in 2018, underpinned by the pre-existing programme for identifying and managing risks of fraud and corruption. The "Sapin II" training programme will be completed in full in 2019. The obligation to establish a disciplinary system of penalties will not result in any changes, since the current system already meets the requirements of the "Sapin II" Act. Since 2018, the internal control system has included a review analysing the effective implementation of the Sapin II anti-corruption programme within AFD Group.

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.

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. In order to monitor the execution of projects, procedures for reimbursing and winding up equity investments are monitored carefully because they may 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 purpose is to ensure that no counterparty or individual involved in such checks, or the supplier or winner of a call for tender funded by AFD, is under financial sanction or operates in sectors under embargo by France, the European Union, the United Nations, the United States or the United Kingdom.

(1) 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

(2) https://www.afd.fr/fr/code-de-conduite-anti-corruption-du-groupe-afd

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, AFD Group imposes exclusion[(1)] criteria 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 AFD 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 subsidy paid.

2.7.5 Information reporting systems

There are several information reporting systems within 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. 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, 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, 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.

These training courses are provided both in e-learning mode and in classroom mode.

- e-learning sessions on AML/CTF: new employees who joined the Group in 2018 (head office and network), i.e. 445 people, were required to follow one or two e-learning modules. The number of modules allocated to each employee depends on the risks identified for the activities performed by said employee. The annual results are as follows: 72% of employees enrolled for module M1 (445 people) and 65% of employees enrolled for module M2 (338 people) validated their training. Those having fully completed their training all validated said training, i.e. 323 employees enrolled for M1 and 216 employees enrolled for M2. For the rest, i.e. those who have not begun or finalised their modules, namely 122 employees enrolled for M1 and 116 employees for M2, a campaign to remind them of the requirement to validate this training is under way in the first quarter of 2019;
- 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 activities within AFD Group. 510 employees were trained in 2018 (new hires, catch-up training for certain employees at the head office and in the agency). 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.

(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*

2.7.7 Initiatives undertaken to prevent tax evasion

In an effort to contribute to French policies to combat tax havens, in particular those declared by France under the G8 and G20, 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 several NCJs in the legal structure of the financed operation and/or offshore centres more generally[1].

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, 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 was also subject to an attentive review following the adoption of Act No. 2018-898 on the fight against fraud, with some of the provisions having an impact on the Group's policy towards NCJs. More particularly:

- the common EU list of non-cooperative jurisdictions for tax purposes, as adopted by the European Commission in December 2017 ("EU list of tax NCJs"), is integrated into the French list of Non-Cooperative States and Territories ("NCSTs") of the French Tax Code, which AFD Group takes into account in its definition of tax NCJs;
- the law reformulated the forbidding of AFD Group to contribute 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 actual economic interest in the state or territory in question, or when the financed project is carried out in the state or territory in question.

The law commends the policy and procedure followed by the Group when it comes to NCJs[2]. 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, could have an impact on the projects that the Group may finance, in the light of any changes to the said list, left to the appreciation of the European Commission. Additionally, although the Act of 23 October 2018 provides for the integration of the EU List of tax NCJs in the French list of NCSTs, this integration will only be effective as from the publication of an order implementing Article 238-0 of the French Tax Code.

If no such order has been issued, and to comply with the requirements of the European delegator, AFD Group has amended its procedures for projects delegated by European funds in order, in such a case, to consider as tax NCJs the countries and territories in the EU List of tax NCJs without waiting for the publication of any order by the French Budget Minister, in compliance with the Commission's requirements for entities receiving such funding.

(1) *Updated in 2016, the AFD Group policy on non-cooperative jurisdictions is available on the AFD and Proparco websites: https://www.proparco.fr/sites/proparco/files/2017-07/Politique_publique_gpe_dans_JNC_Juillet_2016.pdf*

(2) *In this respect, extracts of parliamentary texts are particularly useful: "The system recommended by the Senate establishes in law that which, today, is consistent with the financing policy implemented by AFD Group and which is justified by the effort to prevent the funding of development projects from benefiting only people or entities established in non-cooperative countries or territories that misappropriate cash flows intended to support populations"; "It should be noted at the outset that this system has no intention, and should not have the effect, of stigmatising AFD or its action; quite the contrary. The idea is to recognise the major efforts undertaken by AFD Group by establishing them in legislation"; "this article is by no means intended to stigmatise AFD or its subsidiaries. It strives to establish in law this Group's virtuous policy by writing into legislation that which is currently […] 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)*

2.8 A meaningful work environment

AFD Group strives to promote a responsible approach in its internal operations and to provide its employees with a meaningful work environment. It encourages employee dialogue and offers its employees the most favourable working conditions to develop their skills and pursue rich and motivating career paths.

2.8.1 The ethics system

Created in 2004, AFD Group's ethics system is based on three pillars: a Charter, a Committee and an Advisor.

The Ethics Charter[1] sets out the behaviour required in performing the Group's duties for the benefit of populations in foreign countries and French Overseas Departments and Collectivities. This public text, applicable to all employees working within the institution on a daily basis, is appended to the employment contract of all Group employees when first hired and is brought to the attention of partners and suppliers.

The Charter reiterates the references inspiring the action of the Group and its employees: a mission, key values (commitment, openness, adaptability and integrity) and an ambition that complies with laws and regulations. It lists the main commitments in terms of compliance, corporate social responsibility, the fight against money laundering, corruption and fraud, and warns against conduct where risk is involved. The Charter resembles a "social contract" defining the commitments of the employer, employee and manager.

Revamped in May 2017 based on more representative and more operational grounds, the Professional Ethics Committee comprises members appointed by Senior Management (one representative for Proparco and for each of AFD's seven executive departments), one elected representative of the Social and Economic Committee, and the Ethics Advisor. Chaired by the Deputy Chief Executive Officer, it issues opinions and advice on the proper application of the Ethics Charter, any difficulties regarding its application and interpretation, and on the Group's ethics-related initiatives (training, awareness-raising, etc.).

Reporting to Senior Management, the Ethics Advisor ensures the proper application of the Charter and its related documents, at the head office and in the network (6 agencies visited in 2018), with the Ethics Committee's support. It conducts training and awareness-raising actions (9 in 2018), supports the Group's structures and offers a confidential, attentive support and advice service to all Group employees, at their request and with full anonymity (136 employee consultations in 2018). Furthermore, it supervises AFD's system for managing environmental and social complaints, launched in May 2017. Lastly, as from January 2019, it has been the point of entry for AFD Group's professional whistle-blowing system.

2.8.2 Skills development, employability and training

In order to support its new strategic vision and meet the challenge of growth, AFD Group has adopted an ambitious human resources policy. Approved by the Executive Committee in 2018, this policy has been brought to the attention of all employees. Within this framework, the Group has adopted a set of human resources management tools to recruit and induct talented employees in France and its countries of operation, to offer motivating career paths, and to implement a training policy providing everyone with the means to develop their skills and enhance their 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. Created in 2016, the onboarding system offers new hires a multi-stage course which unfolds over 4 to 6 months and is initiated automatically.

Updated every year, the training plan becomes a "Skills development plan". It aims to meet the requirements of the Group's teams and employees, and to support them in the transformations affecting their professions. Numerous initiatives of the skills development plan target the reinforcement of technical banking and finance skills. Support for project team managers and country managers has been continued through sectoral or cross-functional training, whereas managers continue to have access to a programme of specific actions to help them improve their managerial skills.

The "Development Profession" programme, intended to provide employees with shared expertise in development aid and AFD's role within the French system, continued. This is also true for the World seminar, which brings together local employees at the Paris head office to discuss topics currently relevant to AFD, projects and strategy.

Local employees' access to training was generally facilitated and improved through access to training organised at the head office and through the organisation of regional seminars which are growing in number.

There was a particularly high momentum in training activities in 2018[2]: 40,709 hours of training were provided (versus 39,681 in 2017), representing an investment of 3.82% of the total payroll. During the year, 244 local employees received training organised by the Human Resources Department (at head office or in the region), representing a volume of 8,028 hours.

The overall training[3] effort led by the Human Resources Department represented 53,115[4] hours in 2018 (53,300 hours in 2017).

(1) http://www.afd.fr/webdav/shared/ELEMENTS_COMMUNS/pdf/charte-ethique-professionnelle-2012.pdf
(2) Attributable sessions, SAM Head Office and Network employees, without premises and International Volunteers. Data from the Balance Sheet.
(3) The overall effort takes into account so-called "attributable" and "non-attributable" training initiatives.
(4) Including all sessions, all AFD/IE Head Office and Network employees, including local employees (but excluding International Volunteers).

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 address the risks inherent in employment practices, the lack of internal dialogue on social issues, and psychosocial risks.

AFD's human resources policy focuses on a more inclusive employee dialogue; the corporate social responsibility policy[1] adopted by the AFD Board of Directors in 2018 undertakes to strengthen the dialogue with all Group stakeholders, and to ensure the harmonised management of human resources.

Four key principles underpin employee dialogue within AFD 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.

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

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 bylaws;
- a **Central Social and Economic Committee** holds twice-yearly ordinary session meetings that bring together representatives from the six committees and handles 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**, which meets annually, brings together personnel 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.

A review of collective agreements signed in 2018:

28/02/2018	Notification of disapproval Negotiation on remuneration, work (head office)
28/06/2018	Agreement on profit sharing for the 2018, 2019 and 2020 financial years
01/08/2018	Notification of disapproval Negotiation on remuneration, working hours, and the sharing of added value in 2018 (French Overseas Departments)

Employment negotiations with bodies representing Group personnel during 2018 focused mainly on reviewing salaries (Mandatory Annual Negotiations) and profit sharing. Negotiations were also initiated during the second half-year on various issues: operation of the bodies, disabilities, quality of life at work, and property loans.

2.8.4 Quality of employee working conditions and safety

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

(1) *https://www.afd.fr/fr/politique-de-responsabilite-societale-du-groupe-afd-2018-2022*

In particular, these challenges are addressed by the Group's corporate responsibility policy, which provides for the implementation of an effective psychosocial risk management system, based on the prevention and management of these risks, on the one hand, and on support and training/awareness-raising measures for all employees, on the other hand. An action plan on quality of life at work including a major psychosocial risk prevention system was implemented in 2018.

An external psychological support system is offered to employees through access to external consultations. The monthly on-site presence of a psychologist has also been strengthened. A leaflet describing all psychosocial risk players has been widely distributed.

Training and awareness-raising sessions on psychosocial risks have also been provided to HR managers and employee representatives. A series of HR conferences is offered to all employees on various subjects (non-violent communication, philosophy at work, and removing obstacles to cooperation).

2.8.4.1 Security of Group employees

Regarding the security of goods and people, AFD Group implements 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.

On the other hand, the Group implements a system, which takes into account security rules internationally and is audited internally.

In addition, a project for the prevention of international security risks has enabled AFD Group to develop its security organisation to take fuller account of the security situation in some of its countries of operation. In this respect, the Group has restructured its system for monitoring international travel and the human resources dedicated to the security of the Network and its missions. Regional departments are placed at the heart of the network's security system.

Efforts to make the sites more secure, particularly in the most sensitive countries, continued in 2018[*] based on new standards.

The security of the AFD head office was also subject to an in-depth review. In addition to the modernisation of tools, these changes seek to open up the building to new, more collaborative uses working with partners whilst guaranteeing the expected level of security.

All of these developments go together with a significant multi-channel training effort on security challenges, combining digital awareness and face-to-face training. As part of the 2018[1] awareness-raising campaign, 513 employees (21% of Group employees) followed the «security of missions» e-learning. Over the last three years, AFD has trained more than 1,500 employees on security challenges at the head office and in the network.

king hours, and the sharing of added value in 2018

(1) *For operational reasons, the 2018 campaign takes into account the training carried out up to 15 January 2019.*
(*) *For operational reasons, the 2018 campaign takes account of training programmes conducted up to 15 January 2019.*

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

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

Year ended 31 December 2018

TO THE GENERAL MEETING OF SHAREHOLDERS,

As statutory auditors of the Agence Française de Développement (hereafter the "entity" or "AFD") and a designated independent third party , operating under COFRAC accreditation 3-1049 and member of the KPMG International network as one of your statutory auditors, we hereby present our report on the consolidated statement of non-financial performance for the financial year ended 31 December 2018 (hereinafter the "Statement"), included in the Group's management report by mindful application of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

THE ENTITY'S RESPONSIBILITY

The Board of Directors is responsible for drafting a mindful statement in accordance with legal and regulatory provisions. This must contain a business model, a description of the main non-financial risks, the relevant policies applied, and the results of these policies, including the key performance indicators.

In drafting the statement, the entity's procedures (hereafter the "Standards") were applied, the key components of which are explained in the Statement and available on request from the entity's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions set out in Article L.822-11-3 of the French Commercial Code and our professional code of ethics. In addition, we have established a quality control system that includes documented policies and documented procedures aimed at ensuring compliance with the code of ethics, professional guidance and all applicable legal and regulatory texts.

RESPONSIBILITY OF THE STATUTORY AUDITORS (DESIGNATED INDEPENDENT THIRD PARTY)

It is our responsibility, based on our work and in connection with the voluntary step undertaken by your entity, to form a reasoned opinion expressing a conclusion of moderate assurance on the following:

- the Statement's compliance with Article R.225-105 of the French Commercial Code;
- the accuracy of the information provided pursuant to 3° of I and II of article R.225-105 of the French Commercial Code, i.e. the results of the policies including the key performance indicators and the action taken on the main risks, hereafter the "Information".

We are not, on the other hand, required to deliver an opinion on:

- the entity's compliance with the other applicable legal and regulatory provisions, relating namely to a vigilance plan and combatting corruption and tax evasion;
- compliance of products and services with the applicable regulations.

NATURE AND SCOPE OF WORK

Our work described below has been conducted in accordance with articles A. 225-1 et seq. of the French Commercial Code, which defines the procedures an independent third party must follow to carry out its work, and with the professional guidance of the French Institute of Statutory Auditors and ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

We undertook the work required to check the compliance of the voluntary Statement with legal and regulatory provisions and the accuracy of the Information:

- we familiarised ourselves with the activity of all the entities in the consolidation scope, the statement of the main social and environmental risks related to this activity and, where appropriate, the effects of this activity on human rights and the fight against corruption and tax evasion, the resulting policies and the outcomes of these policies;
- we ascertained whether the Standards are appropriate in terms of their relevance, completeness, reliability, neutrality and understandability, taking best practices for the sector into consideration when necessary;
- we verified that the Statement covers all categories of information required by III of article L. 225-102-1 on social and environmental matters and also in respect of human rights and combatting corruption and tax evasion;
- we verified that the Statement contains the reasons for omitting the information required by paragraph 2 of section III of article L. 225-102-1;
- we verified that the Statement includes the business model and the main risks inherent in the activity of all the entities in the consolidation scope including, where relevant and proportional, the risks arising from its business relations, product or services, and the policies, actions and results, including key performance indicators;
- we verified, where relevant in terms of the main risks and policies described, that the Statement contains the information required by II of article R. 225-105;
- we assessed the procedure used to select and validate the main risks;
- we questioned the entity to ensure it had internal control and risk management procedures in place;
- we checked the coherence of the results and key performance indicators selected in respect of the main risks and policies described;
- we verified that, in accordance with article L. 233-16, the Statement covered all entities in the consolidation scope with the restrictions specified therein;
- we assessed the collection process the entity used to ensure the information was exhaustive and sincere;
- for what we considered to be the main key performance indicators and other quantitative results, we:
  - applied analytical procedures to check that the data collected had been properly consolidated and all changes were coherent,
  - ran detailed tests, checking samples to ensure the correct application of the definitions and procedures and reconciling the data against the supporting documents. This work was carried out at the entity's head office and related to all the consolidated key performance indicator data and the selected results of these tests;
- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) we considered to be the most important;
- we ascertained that Statement as a whole is in line with what we know about all the entities included in the consolidations scope.

We believe that the work we carried out, based on our professional judgement, has allowed us to formulate an opinion with a moderate level of certainty. Greater certainty would require a broader audit.

(1) *Social indicators: Total headcount and split by gender; Number of training sessions in the fight against money-laundering and the financing of terrorism (AML/CFT) via e-learning courses (modules 1 and 2).*
Environmental indicators: number and amounts of projects with climate co-benefits; Greenhouse gas emissions avoided or reduced. Societal indicators: Number of consultations with the ethics advisor; number of training courses provided by the ethics adviser; Percentage of sovereign financing published in the International aid transparency initiative (IATI) format; Number of complaints received by the AFD complaints management system ; Number and sum of AFD and Proparco projects subject to an assessment of the level of environmental and social risk.

(2) *Organisation of employee dialogue and collective agreements; Quality of life at work and employee safety policy; Anti-corruption and tax evasion policy; Procedures in support of human rights in the financing agreements; ADF's environmental, social and societal impact management policy; Dialogue with stakeholders policy; Partnerships with civil society organisations.*

MANPOWER AND RESOURCES

This work leveraged the skills of a six-person team and was carried out between February and April 2019 over a total period of around two weeks.

To assist us in carrying out our work, we called on our experts in the areas of sustainable development and corporate social responsibility. We conducted around 10 interviews with the people responsible for preparing the Statement.

CONCLUSION

Based on this work, we found no material misstatement that would cause us to believe that the mindful statement of non-financial performance is not compliant with the provisions mindfully applied and the Information, as a whole, is not presented in a truthful manner in compliance with the Standards.

Paris-La Défense, 4 April 2019

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 2018, General Management[(1)] was as follows:

	AFD position appointment	Other mandates and positions
Rémy Rioux	Chief Executive Officer (CEO) *Three-year term, decree published on 25 May 2016*	Director, Chairman of the Proparco Board of Directors 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
Awaiting appointment	Associate Chief Executive Officer	

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 Corporate and Housing Credit Department.

His career continued with two assignments in 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).

Philippe Bauduin returned to the headquarters of the Caisse 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. As part of his duties, he was seconded to BRED in 2006 for three years. In 2009, he was appointed AFD Director for Pointe-à-Pitre.

In 2013, following a six-month secondment to the Guadeloupe Social Housing Company (SIG) to serve as interim Chief Executive Officer, Philippe Bauduin was appointed AFD's Financial Director.

(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.

ASSOCIATE CHIEF EXECUTIVE OFFICER:
AWAITING APPOINTMENT

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: awaiting appointment;
- Operations Executive Officer: Jean-Pierre Marcelli;
- General Secretary Executive Officer: François Parmantier;
- Director of the Finance department: Françoise Lombard;
- Human Resources Executive Officer: Matha 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;
- Chief Economist: Gaël Giraud.

3.1.3 The Board of Directors

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:

- 6 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;
- 5 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 six State representatives.

Members of the Board of Directors have a three-year term. However, the term on the Board of Directors of members of Parliament ends when they cease to be members of the assemblies to which they were elected. Members of the Board of Directors are not paid. However, the Chair of the Board of Directors receives compensation, the amount of which is set by joint decree by the 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 31 December 2018, there were 35 Board members. Of the 33 who had been duly appointed (16 permanent and 17 alternate), 14 were women (6 permanent and 8 alternate), representing 40% of the members and 42.4% of the seats filled.

At 31 December 2018, 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 07/07/2016	Agence Française de Développement (leave it in French and use the italics) – 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 Governing Council of TERI • Chair of Expertise France's Board • Haut Conseil pour le Climat • Chair of the Scientific Council of ADEME
Representatives of the French State (6)			
Guillaume Chabert	Permanent 16/05/2018	French Ministry of the Economy and Finance – Directorate General of the Treasury – 139, rue de 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 11/12/18	French Ministry of the Economy and Finance – Directorate General of the Treasury – 139, rue de Bercy – 75572 Paris Cedex 12	**Assistant 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 Finance and Public Accounts Budget Department – 139, rue de Bercy – 75598 Paris Cedex 12	**Assistant 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).
Philippe Plais	Alternate 20/11/2016	French Ministry of Finance and Public Accounts – Budget Department – 139, rue de Bercy – 75598 Paris Cedex 12	**Head of the Office of Foreign Affairs and Development Assistance (7 BAED) Budget Department** Permanent Director with expertise of the French market Alternate director of • Campus France • the Institut Français, • the French Office for Immigration and Integration (OFII), • Ofpra • AEFE
Laurent Bili	Permanent 13/09/2017	French Ministry of Foreign Affairs and International – Directorate General for Global Affairs, Culture, Education and International Development (DGM) – 27, rue de la Convention – CS 91533 – 75732 Paris Cedex 15	**Chief Executive Officer of Global Affairs, Culture, Education and International Development** Member of the Board as a representative of the State (Maedi): • Agency for French Teaching Abroad (AEFE); • Business France; • Campus France; • Institut Français; • Institut de la Gestion déléguée; • Fondation Alliance française; • Cité internationale universitaire de Paris (Foundation); • Mission Laïque Française; • Résidence Lucien Paye (Cité internationale universitaire de Paris) Government Commissioner, Expertise France.

Director	Term on the Board appointment	Address	Current position Other offices held
Cyrille Pierre	Alternate 17/11/2016	French Ministry of Foreign Affairs and International Development – 37, quai d'Orsay – 75007 Paris	**Head of Development and Global Public Goods** Director as a representative of the State (Maedi): Expertise France.
Rémi Maréchaux	Permanent 29/09/2016	French Ministry of Europe and Foreign Affairs 37, quai d'Orsay – 75007 Paris	**Head, Africa and the Indian Ocean** No other office or function.
Jean Baptiste Faivre	Alternate 20/10/2017	French Ministry of Foreign Affairs and International Development – 37, quai d'Orsay – 75007 Paris	**Deputy Head, North Africa and the Middle East** No other office or function.
Etienne Desplanques	Permanent 11/11/2018	French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	**Assistant Head of Public Policy at the Directorate General of French Overseas Departments and Collectivities** Government Commissioner at the Institut Calédonien de Participation (ICAP)
Pierre-Eloi Bruyerre	Alternate 11/11/2018	French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	**Head of the Office of Economic Life, Employment and Training and the Directorate General of French Overseas Departments and Collectivities** Sogefom Director
XXX	Permanent		Awaiting appointment by decree
Nathalie Bakhache	Alternate 16/05/2018	French Ministry of the Interior – DGEF 18, rue des Pyrénées – 75020 Paris	**Head of the Office of the Director-General for Foreigners in France** 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 Maroc	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.
Salima Saa	Permanent 29/03/2018	TRANSDEV 3 Allée de Grenelle 92130 Issy Les Moulineaux	**Sales Director, France Local Authorities** No other office or function
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** • Member of the Board of Directors of CDC Habitat • Member of the Board of Directors of SCET • Member and Chair of the Audit Committee of SCET • Member of the Board of Directors of the Tourisme Social Investissement fund • Member and Chair of the CDC Développement Solidaire association

Director	Term on the Board appointment	Address	Current position Other offices held
Sylvie Lemaire	Alternate 29/03/2018	Syndicat du Sucre labour union of Réunion CS81036 33 rue Emmerez de CHARMOY 97495 SAIwTE-CLOTILDE Cedex REUNION	**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 SLE - CEPAC Réunion • 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 CLERMONT-FERRAND Cedex	**Research Director at the French National Centre for Scientific Research (CNRS)** 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 of • 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 Teachers' Board • HEC Paris Guidance Committee for the Master programme on Sustainability & Social Innovation • Institut de Florac – Montpellier SupAgro Guidance Board
Members of Parliament (4)			
Hervé Berville	Permanent 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 – 126 Rue de l'Université – 75007 Paris	**Deputy for the Ardenne department** **Departmental councillor of the Ardennes** Member of the Parliamentary Assembly of the Council of Europe Member of the Board of Directors of Expertise France
Amélia Lakrafi	Permanent 18/09/2017	National Assembly – 126 Rue de l'Université – 75007 Paris	**Deputy for the 10th district of French nationals established outside France**

Director	Term on the Board appointment	Address	Current position Other offices held
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 – 15 rue de Vaugirard– 75006 Paris	**Sénateur du Haut-Rhin**
Jean-Marc Gabouty	Permanent 15/12/2017	Senate – 15 rue de Vaugirard – 75006 Paris	**Senator for the Haute Vienne department** **Vice-President of the Senate** **Municipal councillor of Couzeix** Chairman of the Board of Directors of SA Territoires Graphiques Chairman of the Board of Directors of SAS Info-routage
Fabienne Keller	Alternate 15/12/2017	Senate – 15 rue de Vaugirard – 75006 Paris	**Senator for the Bas-Rhin department** Eurometropolitan Councillor of Strasbourg; Vice-Chair of the Conseil National des Villes (National Council for Cities); Municipal councillor of Strasbourg Member of the Board of Directors of: • Robert Schuman Foundation; • Compagnie des transports de Strasbourg; Member of the Supervisory Board of Investissements d'Avenir. Member of the SNCF Network's National Stakeholders' Committee.
AFD personnel representatives (2)			
François Pacquement	Permanent 12/12/2016	AFD – 5, rue Roland-Barthes – 75012 Paris	**AFD employee** Member of the Writing and Editorial Committees of the Revue *internationale des études du développement* Member of the College of Qualified Persons of the Académie de l'Eau Member of the Académie des Sciences d'Outre-Mer
Stéphanie Picard	Alternate 12/12/2016	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)
Anne-Laure Ullmann	Permanent 12/12/2016	Ville de Paris – 9 place de l'Hôtel de ville – 75004 Paris	**AFD employee seconded to the City of Paris** **General Delegation for International Relations** Deputy General Delegate for International Relations
Jean-Marc Pradelle	Alternate 12/12/2016	AFD – 5, rue Roland-Barthes – 75012 Paris	**AFD employee** • CFDT union representative

THE DIRECTOR'S CHARTER

A charter sets out the rights, obligations and rules applicable to all members of the Agence Française de Développement's Board of Directors, its Audit Committee or its special committees. All directors, both permanent and alternate, commit to adhere to the guidelines set out in this 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 to make collective decisions.

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 date of this Registration Document, no corporate officer is related to the company or one of its subsidiaries by a service contract that provides for the granting of any benefits.

CONDITIONS FOR THE PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

According to Article R.515-18 of the French Monetary and Financial Code, the Board of Directors decides on the company's strategic orientations, implementing the objectives entrusted 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 in application of 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 costs; the general terms and conditions of the 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 in the interests of the Agency 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 or in writing, for urgent deliberations. This procedure at the least defines a minimum consultation time, quorum rules and the right of any member of the Board and the Government Commissioner to oppose this consultation procedure.

THE 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 the Board of Directors with an opinion on the financial statements, as often as required and at least once a year. 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 for the Agency. 615-8 of the French Monetary and Financial Code. 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 set out in Article L.511-38.

Article R.515-19 of the French Monetary and Financial Code stipulates that the Board of Directors must meet at least four times a year when convened by its Chair. During 2018, the Board of Directors and its specialised committees met 35 times.

3.1.4 Compensation and benefits of the executive offices

Total gross compensation *(in euros)*

Rémy Rioux, Chief Executive Officer (start of term, 2 June 2016)	AFD	190,000
Philippe Bauduin, Deputy Chief Executive Officer (start of term, 12 July 2016)	AFD	160,678
Jérémie Pellet, Associate Chief Executive Officer (end of term, 30 November 2018)	AFD	148,295

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 makes to the powers of the Chief Executive Officer (article L225-37-4 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 the use made of those delegations during the financial year

N/a

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 L225-37-4 of the French Commercial Code)

N/a

3.1.6.4 Report of 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, one of the corporate officers or one of the shareholders with a fraction of the voting rights of more than 10% of a company and, secondly, another company in which the latter 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

Name of the convention	Further information
Agreements and commitments approved in previous years which continued to be performed in financial year 2018	
WITH SOGEFOM	
Service agreement entered into between AFD and Sogefom	Fee paid to AFD in 2017: €1,654,866.19; in 2018: €1,820,353.9
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 2018: SODEMA: €9,761K SODEGA: €13,435K SOFIDEG: €856K • Fee paid to AFD in 2018 SODEMA: €135K SODEGA: €100K SOFIDEG: €48K • The credit risk borne by AFD was covered by a provision of €20,769K at 31 December 2018, i.e. a net reversal of €2,179K
WITH FERDI-FONDDRI	
AFD/FERDI loan agreement FONDDRI loan agreement	At 31 December 2018, 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. Commissions paid in 2018: €675,000
Agreement to manage AFD's contribution to the African Agriculture Fund of 18 December 2014	Declared by Proparco in regulated agreements. Commissions paid in 2018: €133,263
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 €584,197, At 31 December 2018, payment of €584,197
Coordination SUD - Financing Agreement	Subsidy of €65,395 / At 31 December 2018, payment of €65,395
National Secular Solidarity Committee (Comité National de Solidarité Laique or CNSL) - Programme for Developing Education Networks in West Africa (final phase 2016-2018)	Maximum amount of €910,219 At 31 December 2018, payment of €910,219
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 €2,943,314. At 31 December 2018, payment of €2,943,314

Name of the convention	Further information
Agreements and commitments approved in previous years which continued to be performed in financial year 2018	
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 CSL for an amount of €349,706. At 31 December 2018, payment of €200,751
Agreements and commitments approved during the 2018 financial year	
WITH THE NGOS	
CNSL_Improvement of the quality of nursery schools in Sri Lanka	Subsidy of €375,000 granted. No payment in 2018
CNSL_ Coalition Education phase 2	Subsidy of €271,894 granted. At 31 December 2018, payment of €170,982
WITH PROPARCO	
AFD/Proparco Service Agreement	Fee paid to AFD in 2018: €44,501K Declared by Proparco in regulated agreements
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 characterising "significance", the fact that the total company or consolidated balance sheet exceeds €5 billion, meaning that these provisions apply to AFD, while CRDIV contains provisions that have not been implemented 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 principles for State public undertakings that apply to AFD.

With regards to Compensation Committees, under the terms of Article 76-2 and Article 95-1 of the CRDIV directive regarding Compensation Committees, governments only have to stipulate that Compensation Committees are established in undertakings that are "significant" in terms of their size but also 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 Code were not specified in the decree of 3 November 2014.

It should be noted that the compensation of 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 implementation of the CRDIV directive in 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 employees on job levels C to G, the basic salary includes, without distinction, all hours worked including overtime.

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

(1) Extract from Staff Regulations

Awards and bonuses (Article 12.2)

Added to the basic salary, for employees who fulfil the required conditions, are the following awards and bonuses calculated on a pro rata basis according to hours of work, where the individual's hours are lower than the collective hours of work:

- year-end bonus (12.2.1)

  this 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 accordance 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)

  this is defined by a scale indexed to the value of the salary point;
- long service bonus (12.2.4)

  employees on job levels A to C are awarded a long service bonus defined by a scale negotiated with the trade union organisations;
- professional bonus (12.2.5)

  this 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 in the event of a transfer to a position not covered by the professional bonus;
- 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 (for example, 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° by way of disciplinary action;

4° on the grounds of medical unfitness.

For the following reasons for dismissal, compensation for dismissal is calculated on the basis of an average monthly salary defined as a twelfth of the compensation for the last 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 inclusively, 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 related 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 related 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 nor 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 by way of disciplinary action:

The amount of compensation potentially awarded to an employee is the result of a decision by the Chief Executive Officer when he gives 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 in the context of the procedure established in Article 25 of the Staff Regulations is equal to half of that provided 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".

In 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);
- Deputies to the Executive Directors;
- 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), CCC (Crises and Conflicts) Divisions, and the manager of the (Social Ties) unit;f
- and employee representatives on the Board of Directors.

The total amount of compensation of any kind paid during the 2018 financial year to all people falling within these categories (58 posts and 69 employees) amounted to €6,826,676.

Furthermore, the total compensation of executive officers (Chief Executive Officer, Deputy Chief Executive Officer, Associate Chief Executive Officer), the Risks Executive Officer, the Head of Compliance and the Head of Permanent Control amounted to €751,000 for 2018 (for the incumbent individuals as at 31 December). This compensation corresponds to the gross fixed compensation paid by AFD which does not, morefover, pay any variable compensation other than the profit-sharing bonus which is calculated in an identical way for all employees.

Risk management

4.1 Risk factors

Because of the nature of its business activity, AFD Group is exposed to the majority of the risks of a credit institution. Its risk management policy is centred around the following key risks, each of which is likely to affect its business activity, results and financial position:

- credit risk, which by the nature of AFD's activity in terms of concentration and counterparty risk, is the main risk to which the Group is exposed;
- risk specific to market transactions: exchange rate, counterparty or basis, particularly related to differences between the application of funds and resources in currency terms. AFD holds no instruments for speculative purposes;
- global interest rate and liquidity risk related to (i) differences between the application of funds and resources in terms of rates and maturity and (ii) complying with the constraints associated with subsidised financing eligible for Official Development Assistance (ODA);
- operational risk, including:
  - risks related to the outsourcing of services and other essential operational tasks,
  - the risk of loss covered by the emergency and business continuation plan which comes into play in the event of a crisis,
  - IT-related risks,
  - non-compliance risk arising from failure to adhere to specific banking and financial regulations, primarily the risk of money laundering and funding terrorism (AML/CFT),
  - legal risk in connection with all its own activities, its status or its refinancing and arrangement operations,
  - ethical risk,
  - strategic risks;
- risks to the reputation and image of the Group and its directors.

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

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

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

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

Three main risks of this type have so far been identified:

- financial risks. Italian spreads have narrowed somewhat since their peak in November, but still remain high, weighing on the Italian banking system and potentially on real activity. A disorderly Brexit, in the absence of a deal between the EU and Theresa May's government, could also have negative effects on the euro area. A bigger-than-expected slowdown in China could adversely affect its trading partners and global commodity prices. Aside from this direct impact, concerns among international investors could materialise in an abrupt withdrawal of capital from emerging markets, as witnessed in 2015-2016 or in the third quarter of 2018;
- risks linked to the introduction of protectionist measures. Following the tariff increases introduced in early 2018 on washing machines, photovoltaic cells, steel and aluminium, the United States announced 25% tariffs on $50 billion of Chinese imports. China responded by announcing similar measures on US imports. In September, the US imposed 10% tariffs on an additional $200 billion of Chinese imports, forecasting a rise to 25% by the end of the year. China, for its part, has imposed new tariffs on $60 billion of US imports. The US has not ruled out extending these tariffs to the remainder of Chinese imports ($267 billion) and introducing tariffs for the automotive sector, which would have a significant impact on other countries. IMF simulations show that the impact of protectionist measures in this escalating scenario is limited but still significant: global GDP would fall by more than 0.8% in 2020 and in the long term would be 0.4% below its baseline in the absence of trade tensions. The cost of tariff measures would be borne mainly by China, the US and NAFTA trading partners (a fall in GDP of 1.6%, 0.9% and 1.6% by 2020, relative to the baseline scenario). The IMF suggests that these simulations probably underestimate the impact of rising global trade tensions, particularly channelled through the business climate and investors' perceptions of the financial markets. Moreover, the impact of tariffs varies from country to country and sector to sector. Mexico, whose manufacturing sector is closely integrated with regional and global value chains, is particularly vulnerable to changes in trade policy, although the successor to NAFTA (USMCA) was finally signed at the end of November 2018. The outcome of the negotiations between China and the US remains highly uncertain at this stage.
- Non-economic risks (political and geopolitical, etc.). Continuing tensions in the Middle East in particular continue to weigh on the outlook and remain a stress factor in energy markets (oil and gas). An escalation of local conflicts could result in increased migratory flows to Europe, contributing to deepening political divisions in some countries. Lastly, the risks associated with climate change and extreme weather events are ever present, with the majority of developing countries being the worst affected.

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 (EU) ruling 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) Note that AFD complies with the LCR ratio, even if it is no longer required to do so (see 6.2.6.2);
- 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 6.2.3 "Consolidated financial statements prepared in accordance with IFRS adopted by the European Union"; Notes 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 Implementation of IFRS 9

Since 2015, the Group has been doing preliminary work to identify and analyse the potential impacts of the application of IFRS 9 as of 1 January 2018. The implementation of the new IFRS 9 by the AFD Group has been managed by way of a project that involves the full range of business lines (IT, Risk, Finance, Senior management, Financial communication, etc.).

The IFRS 9 project was evolved into four major stages that are being simultaneously rolled out at the various sites (phase 1 and phase 2 only given the Group's decision not to apply phase 3 as at 1 January 2018):

- a diagnostic phase involving the interpretation of the standard, options to be considered and the resources required. This essentially comprised a comparative analysis between IAS 39 and IFRS 9 and defining the major challenges, the implementation schedule, the sequencing of work between the Risk and Finance Departments, and the drafting of various reports for the Group's governance bodies (the Accounting, Finance and Management Control Committee, the Risk Committee and the Audit Committee);
- a needs identification phase to define the normative and modelling options used, to identify problems of implementation, propose solutions and estimate the financial impact of IFRS 9;
- a deployment phase which involved developing and rolling out the target IT architecture, adapting the control and other processes, preparing the detailed normative and methodological documentation, calibrating the model parameters in place, and estimating the financial impacts;
- a blank test phase maintaining the IAS 39 accounting principles concurrently with the implementation of the new IFRS 9 - mainly on IFRS 9 phase 2 which has been ascertained as having the greatest impact on the Group.

The Group has also been strongly affected by the publication on 12 October 2017 of the amendment to IFRS 9 regarding early repayment penalties and the mandatory application as of 1 January 2019 with a recommendation for early application. The main area impacting the Group relates to symmetric early repayment penalties based on the cost of unwinding a hedge swap.

As such, certain loan contracts are classified as non-SPPI as they include an early repayment clause, the contractual amount of which corresponds to a settlement amount equal to the cost of unwinding an associated hedge swap. The loans are therefore subject to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan.

The impacts of first application of IFRS 9 are presented in Paragraph 6.2.4.

4.2.4 Capital

4.2.4.1 Capital structure

AFD Group's capital at 31 December 2018 was €7,179M, up €840M from €6,339M at the end of 2017. CET1 capital stood at €6,131M, compared with €5,619M at the end of 2017. Total Tier 1 increased from €6,339M to €6,971M.

Capital structure of AFD Group at 31 December 2018

In millions of euros	
CET1 capital before deductions	6,131
CET1 deductions	0
CET1 capital after deductions	**6,131**
T1 capital before deductions	6,971
T1 deductions	0
T1 capital after deductions	**6,971**
T2 capital before deductions	208
T2 deductions	0
T2 capital after deductions	**208**
TOTAL CAPITAL	**7,179**

The breakdown of "regulatory" capital at 31 December 2018 was as follows:

- €6,131M 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%;
- €208M of Tier 2 capital (resources with special conditions).

When itemised, the capital breaks down as follows:

Consolidated capital

In millions of euros	31/12/2018
Equity	2,808
Consolidated reserves	2,397
Earnings	73
Projected distribution (20% company income statement)	0
FRBG	460
Equity method diff.	143
Unrealised capital gains and losses	56
Minority interests	236
Intangible assets	-39
Exclusion of unrealised gains entered in KP	0
Prudent valuation	-4
CET1 capital	6,131
CET1 deductions	0
CET1 capital after deductions	**6,131**
T1 subordinated securities	840
T1 capital	6,971
T1 deductions	0
T1 capital after deductions	**6,971**
RCS	208
Subordinated loans, Art. 4d	0
Subordinated loans, Art. 4c	0
T2 capital	208
T2 deductions	0
T2 capital after deductions	**208**
TOTAL CONSOLIDATED CAPITAL	**7,179**

Deductions and prudential restatements under CRR/CRD4

In millions of euros	31/12/2018	31/12/2017
Cut back of non-eligible minority interests	19.2	-96.5
Exclusion of unrealised gains entered in equity	0.0	-29.9
Prudent Value Adjustment	-4.1	-3.5
TOTAL	**15.1**	**-129.9**

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.

4.2.4.2 Capital adequacy

AFD easily meets the minimum capital requirements set out in Pillar 1, with an increase in its capital taking its capital adequacy ratio to 18.37% at 31 December 2018, compared with 16.44% at 31 December 2017.

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.

The work will continue in 2019.

Capital adequacy

In millions of euros

Total capital		**7,179**
CET1 capital	**6,131**	
Tier 1 capital	**6,971**	
Tier 2 capital	**208**	
Eligible capital		**3,126**
Credit risk	**2,876**	
Governments and central banks	1,551	
Banks	514	
Corporates	630	
Equities	181	
DVA	**129**	
Market risk	**13**	
Foreign currency net position < 2% of capital	-	
Operational risk	**108**	
Standard approach to operational risk	108	
Capital surplus or deficit		**4,052**
Solvency ratio		**18.37%**

In 2017, AFD put in place a process for evaluating internal capital adequacy (ICAAP), in line with Section 2 of the European Directive 2013/36/EU. This process enables 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 26 April 2017, applies to all entities within the prudential scope of consolidation of AFD Group (AFD, Proparco, etc.). As a monitoring process, the ICAAP is developed in line with the other key management processes such as the budget and financial planning procedures, the risk appetite framework and the preventative recovery plan.

It is a cross-functional system which uses an economic approach complementary to the statutory approach to measure capital requirements and available capital and to evaluate their adequacy.

AFD's approach involves identifying all the material risks to which it is exposed according to a materiality threshold (updated every year) which measures impact on the solvency ratio. Each material risk is appropriately evaluated in terms of financial capital requirements and must be adequately covered by the available internal capital. The items of internal capital are measured on quality and must meet the risk profile of AFD and its economic model. AFD ensures that its internal capital will be able to remain above the legal requirement should a short or medium term adverse event occur. The updating of the ICAAP will be carried out in the first half of 2019 in order to take account of the conclusions of the 2018 CICID meeting and its inclusion in the AFD Group's strategic orientations plan and business direction.

Weighted exposures (in millions of euros)

Risk weighting	Sovereigns and other institutions	Banks	Corporates	Equities	Total
0%					
20%	724	205	112	0	1,040
50%	3,220	1,364	10	0	4,594
100%	14,677	4,825	7,249	468	27,219
150%	767	35	501	1,092	2,395
250%	0	0		704	704
TOTAL	**19,387**	**6,428**	**7,872**	**2,264**	**35,951**

Consolidated AFD capital adequacy ratio at 31/12/2018 (in millions of euros)

In millions of euros	RWA	Capital requirements
Credit risk (CAD)	33,687	2,694
Equity stakes	2,263	181
TOTAL CREDIT RISK	**35,951**	**2,876**
DVA	1,612	129
Operational risk	1,355	108
Market risk	161	12
Total RWA excluding market risk	39,080	3,126
Regulatory capital		7,179
SOLVENCY RATIO		**18.37 %**

4.2.4.3 Basel III ratios

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk. This year, the capital requirement is €13M (see Regulation (EU) no. 575/2013 on capital adequacy with regard to the market).

AFD meets the minimum capital requirements with a capital adequacy ratio of 18.37%, compared with 16.44% at 31 December 2017.

4.2.4.4 Leverage ratio

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

4.2.5 Risk exposure and evaluation procedures

4.2.5.1 Credit risk

4.2.5.1.1 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.

4.2.5.1.1.1 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*	31/12/2018 IFRS	31/12/2017 IFRS
Cash, due from central banks	1,399,405	1,016,778
Financial assets measured at fair value through profit and loss (excluding derivatives)	2,212,564	33,244
Financial assets available for sale		3,016,003
Financial assets at fair value through equity	1,464,695	
Securities at amortised cost	1,301,006	
Loans and receivables due from credit institutions	7,122,024	6,613,638
Demand	*1,908,646*	*1,260,143*
Term	*5,213,378*	*5,353,495*
Loans and receivables due from customers	26,485,764	25,437,510
Commercial receivables		
Other loans to customers	*26,485,764*	*25,437,510*
Overdrafts		
Finance lease		
Total loans and receivables	**33,607,788**	**32,051,148**
Held-to-maturity financial assets		778,182
Equity stakes in companies accounted for by the equity method	150,105	146,156
Financial assets at fair value through profit and loss (Derivatives)	200,823	146,851
Hedging derivatives	1,824,239	1,679,788
Derivatives	*2,025,062*	*1,826,639*
BALANCE SHEET TOTAL	**42,160,625**	**38,868,151**
Off-balance sheet		
Firm lending commitments	11,980,131	11,989,375
Financial guarantees	597,433	584,957
OFF-BALANCE SHEET TOTAL	**12,577,564**	**12,574,332**
GRAND TOTAL	**54,738,188**	**51,442,482**

4.2.5.1.1.2 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”, page 93).

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

	31/12/2018			31/12/2017		
	IFRS			IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity stakes at fair value through profit and loss	1,047	921,931	922,978		8,676	8,676
Equity stakes included in financial assets recognised in equity		397,163	397,163	61,747	1,185,002	1,246,749
Companies accounted for by the equity method		150,105	150,105		146,156	146,156
TOTAL	**1,047**	**1,469,199**	**1,470,246**	**61,747**	**1,339,834**	**1,401,581**

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

In thousands of euros	31/12/2017 IFRS Assets	31/12/2017 IFRS Assets
Fair value hedging		
Interest rate derivatives	1,170,325	1,123,766
Interest rate and foreign exchange derivatives (cross-currency swaps)	653,914	556,022
Total 1	**1,824,239**	**1,679,788**
Financial assets at fair value		
Interest rate derivatives	2,827	3,003
Foreign exchange derivatives	81,970	143,622
Derivatives at fair value through profit or loss	115,914	
CVA/DVA	**112**	**226**
Total 2	**200,823**	**146,851**
TOTAL DERIVATIVES	**2,025,062**	**1,826,639**

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	31/12/2017 IFRS	31/12/2017 IFRS
Commitments given	**12,577,564**	**12,574,332**
Financing commitments made to credit institutions	1,204,162	1,732,334
Financing commitments made to customers	10,775,968	10,257,041
Subtotal financing commitments	**11,980,131**	**11,989,375**
Guarantee commitments made to credit institutions	74,730	82,053
Guarantee commitments made to customers	522,703	502,904
Subtotal guarantee commitments	**597,433**	**584,957**

Financing commitments – geographic spread and breakdown by type of activity

	2018		2017	
In millions of euros	Amount	%	Amount	%
Financing commitments at the Group's risk	**11,980**	**100%**	**11,989**	**100%**
Of which foreign countries	11,564	97%	11,449	95%
Sovereign	8,642	72%	8,541	71%
Non-sovereign	2,922	24%	2,908	24%
Of which French Overseas Collectivities	416	3%	540	5%
Financing commitments at the State's risk	**0**	**0%**	**0**	**0%**
Loans guaranteed by the State	0	0%	0	0%
TOTAL GROUP FINANCING COMMITMENTS	**11,980**		**11,989**	

Guarantee commitments – geographic spread

In millions of euros	2018 Foreign countries	2018 French Overseas Departments and Collectivities	2018 Total	2017 Foreign countries	2017 French Overseas Departments and Collectivities	2017 Total
Guarantee commitments given – credit institutions	75	-	75	82	-	82
Guarantee commitments given – customers	427	95	523	418	85	503
GUARANTEE COMMITMENTS	**502**	**95**	**597**	**500**	**85**	**585**

4.2.5.1.1.3 Breakdown of contractual residual maturities of the entire portfolio

Breakdown of assets by residual maturity

In thousands of euros	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undetermined	Total
Financial assets at fair value through profit and loss	0	73,528	37,561	137,194	2,165,104	2,413,386
Hedging derivatives	165,093	884	517,055	1,141,207		1,824,239
Financial assets available for sale					0	0
Financial assets at fair value through equity					1,464,695	1,464,695
Securities at amortised cost					1,301,006	1,301,006
Loans and receivables due from credit institutions and equivalent at amortised cost	2,574,936	482,411	1,938,253	2,126,424		7,122,024
Loans and receivables due from customers at amortised cost	960,347	1,624,716	8,165,414	15,735,287		26,485,764
Subtotal	**3,700,376**	**2,181,540**	**10,658,283**	**19,140,111**	**4,930,805**	**40,611,114**
Cash, due from central banks	1,399,405					1,399,405
Equity stakes in companies accounted for by the equity method					150,105	150,105
TOTAL	**5,099,780**	**2,181,540**	**10,658,283**	**19,140,111**	**5,080,910**	**42,160,625**

4.2.5.1.1.4 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	16,254,359	85,493	16,169,866
of which doubtful	*103,536*	*85,493*	*18,043*
Non-sovereign	10,932,392	508,190	10,424,202
of which doubtful	*512,489*	*319,745*	*192,743*
French Overseas Departments and Collectivities			
Non-sovereign	5,458,871	70,056	5,388,815
of which doubtful	*284,892*	*70,056*	*214,837*
Other outstanding loans	**100,545**		**100,545**
TOTAL	**32,746,167**	**663,738**	**32,082,428**
of which doubtful	*900,917*	*475,294*	*425,623*

4.2.5.1.1.5 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.

4.2.5.1.2 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%	724	205	112	0	1,040
50%	3,220	1,364	10	0	4,594
100%	14,677	4,825	7,249	468	27,219
150%	767	35	501	1,092	2,395
250%	0	0		704	704
TOTAL	**19,387**	**6,428**	**7,872**	**2,264**	**35,951**

4.2.5.1.3 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:

- €3,161M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €236M 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	390	392	-392	0
Corporates	1,515	1,610	-594	1,016
Institutions	204	204	-8	196
Public sector entities	0	0	0	0
Local and regional governments	1,051	1,190	-191	998
TOTAL	**3,161**	**3,397**	**-1,186**	**2,210**

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	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
In millions of euros	Before conversion factor	After conversion factor			
Governments and central banks	0	0	0	0	0
Corporates	203	101	101	-28	73
Institutions	34	17	17	-8	8
Local and regional governments	0	0	0	0	0
GRAND TOTAL	**236**	**118**	**118**	**-37**	**82**

4.2.5.1.4 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.

4.2.5.1.5 Securitisation

AFD has no securitisation activity.

4.2.5.2 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 2018 is €162M, primarily in dollars.

4.2.5.3 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.

4.2.5.3.1 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 EU Regulation 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.

4.2.5.3.2 Capital requirements for operational risk

AFD's average net banking income (NBI) for the last three financial years is €723M. The capital requirement for operational risk is €108M (15% of average NBI) at 31 December 2018.

In thousands of euros	**2018**	2017
GDP - Smoothed 3-year average	723,136	707,872
Capital requirement ratio	15%	15%
Capital requirement	108,470	106,181

4.2.5.4 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 6.2.5). 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 in Paragraph 6.2.5.

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 €181M based on a risk-weighted amount of €2,263M.

4.2.5.5 Interest rate risk in the banking portfolio

The Paragraph 6.2.6.3 on "Interest rate risk" describes this type of risk in detail.

4.2.5.6 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, internal control is the purview of the Operational Risk and Permanent Control Department (ROC) and the General Inspection department (IGE) for periodic controls.

a) Permanent control system

AFD Group's permanent control is cross-functional and carried out by (i) the Permanent Control unit of the Operational Risk and Permanent Control Department (ROC), comprising employees who are responsible for defining, leading and supervising the system, (ii) Group managers responsible for risk mitigation in their part of the organisation and who are the appointed contacts in this respect for the Permanent Control function, and (iii) any employees, whether at headquarters or in field offices, who may be required to play a role in identifying and assessing risks, performing first- and second-level checks, and detecting and reporting and/or handling incidents.

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.

b) 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.

c) 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 Order 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 AS AT 31/12/2018:

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, alternate member

d) 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).

e) 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, per the Order 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 handling its own risks within the field of operation of 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 the head of the AFD Executive Risk Department (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 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. For "Compliance" matters, the Coconap is chaired by the director of the AFD Executive Risk Department (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 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, director of the executive operations department (DOE) or general 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 (RCC) 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;
- the auditing of local office accounts and the entry of expenses related to seconded agents;
- the recognition of market transactions (loans, derivatives and investment securities);
- the control of the centralisation in the general accounting of ancillary accounts and the implementation of second-level 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 and of fiscal and regulatory declarations (SURFI – Balance of payments).

The division is also in charge of preparing consolidated half-year financial statements under IFRS.

The accounting recognition of loans, grants and guarantees granted is carried out by the Funding Financial Management department (GFC). Accounting controls are carried out by the Regulatory Accounting Consolidation department (RCC).

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 (branches, other Head Office services).

Accounting control is split between banking operations and general expenses.

The Group's accounting is audited by two statutory auditors 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 RCC 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.

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 6.2.6 "Risk Information".

4.3.3.2 System of operational limits

The system of operational limits is described in Paragraph 6.2.6.1 (page 154).

4.3.3.3 Monitoring the risks of sovereign counterparties

Monitoring the risks of sovereign counterparties is described in Paragraph 6.2.6.1 (page 154).

4.3.3.4 Monitoring the risks of non-sovereign counterparties

The monitoring of the risks of non-sovereign counterparties is described in Paragraph 6.2.6.1 (page 154).

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 6.2.6.2 (page 163).

4.3.4.2 Interest rate risk

Interest rate risk is described in Paragraph 6.2.6.3 (page 164).

4.3.4.3 Foreign-exchange risk

Foreign-exchange risk is described in Paragraph 6.2.6.4 (page 164).

4.3.4.4 Market risk

Market risk is described in Paragraph 6.2.6.494 (page 164).

4.3.5 Major risk ratio

At 31 December 2018, 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, (iv) 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 2018:

- further measures to prevent corruption and influence peddling introduced on the back of the so-called Sapin II Act of 9 December 2016 were taken with an anti-corruption code of conduct clarifying the expected or prohibited behaviour of Group employees regarding the prevention and fight against corruption and influence peddling in performing their duties, and a company whistleblowing system which came into effect in January 2019;
- an overhaul of the system for preventing and managing conflicts of interest within the Group was begun with the aim of streamlining the roles and responsibilities of all parties;
- the Group began complying with the General Data Protection Regulation (GDPR), which entails mapping out personal data processing, running impact analyses on the most sensitive instances of data processing, and drawing up and adopting policies and procedures to manage and guarantee the protection of personal data.

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 AFD's rules and regulations in September 2015. The charter will be updated in 2019 to include new uses of digital technology within the Group.

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 2018, 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. The system aims to ensure the continuation of the Group's activities following a disaster that is unlikely to occur but would have a 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. 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 March 2018 the updates were finalised and the BCP kits published.

(1) This insurance contract was transferred to the HR department which manages it.

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, has 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%. In 2019 the technical platform will be due for an upgrade as part of obsolescence management.

A Flood Risk Prevention Plan (PPRI), intended to cover the risk of the Seine bursting its banks and mitigate the impact of such a contingency on AFD's main head office building, has also been introduced. Another building will be added to the PPRI in 2019.

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.

In 2018 BCP and PRIT activation tests were conducted (the former covering both business lines and IT). That same year a crisis simulation was carried out with the Executive Committee.

No actual disasters leading to the activation of the emergency and business continuation plan occurred in 2018. An audit of the plan by the General Inspection Department was begun in late 2016 and completed in February 2017.

4.3.6.5 Tax risk

AFD did not undergo any tax audits in 2018.

In a letter dated 7 October 2016, the tax authority conducted a comprehensive assessment of all of Proparco's tax returns for the period from 1 January 2014 to 31 December 2015. An audit began on 20 October 2016 and was completed at the end of 2017. The General Directorate of Public Finance issued a proposed non-material correction. The notice of assessment was received in June 2018.

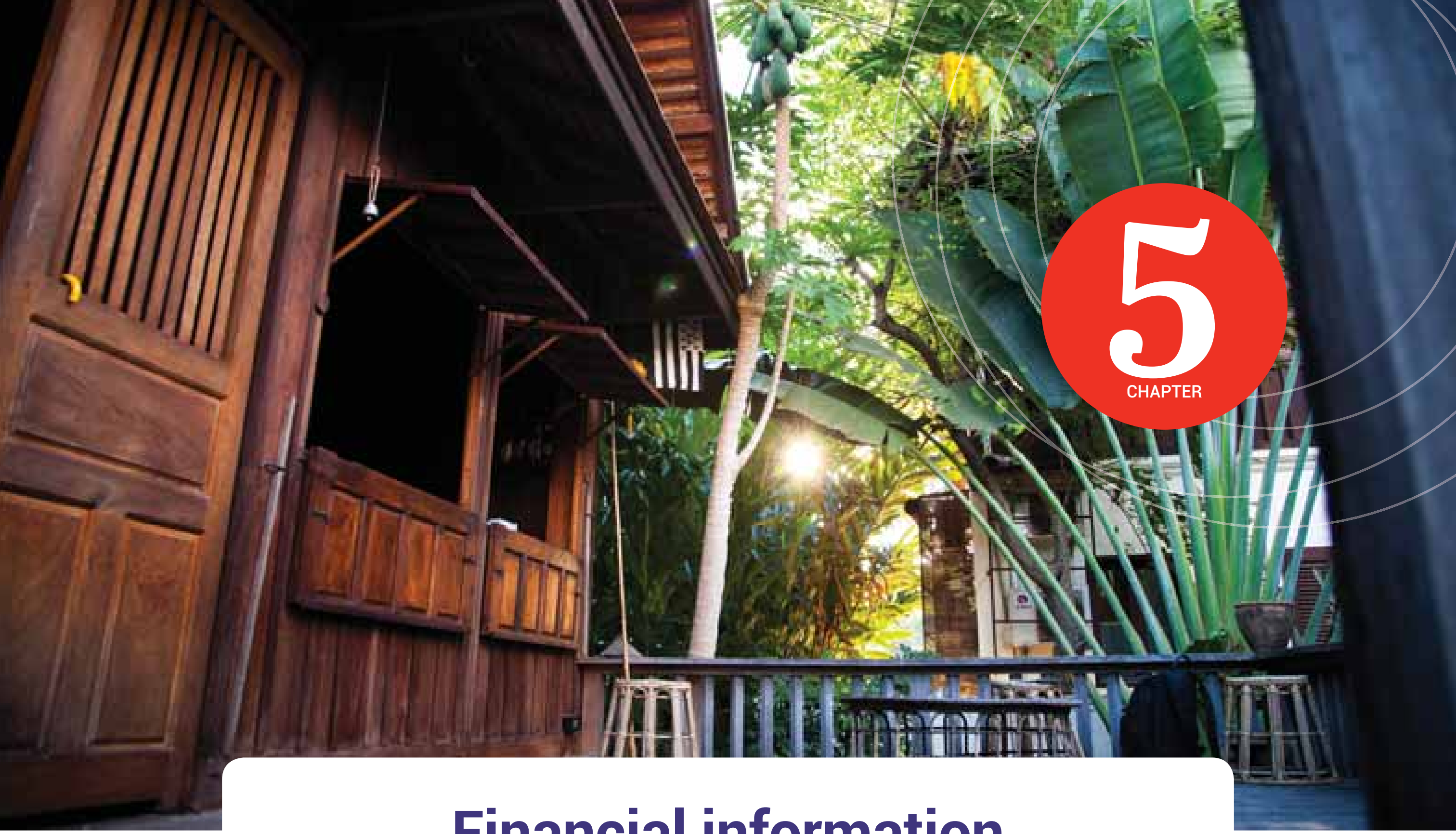
4.3.6.6 Other operational risks

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;
- a system for reporting operational incidents, key controls, and action plans developed across the most significant risk zones. Specifically, incidents are recorded to ensure corrective action is implemented to avoid repeat incidents, and to further develop risk mapping and deploy new controls, where applicable.

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 €11.44bn of commitment approvals in 2018, an increase of €1.10bn on the 2017 figure and in line with the objective set by the French President of €12.70bn by 2020.

Governance

AFD's governance system has not changed.

5.1.2 Future prospects

2019 will be marked by a renewed ambition for France's development policy and for AFD Group, with a new orientation and planning law, and the operational implementation of the French President's commitment to dedicate 0.55% of GNI to AFD in 2022. Thus, AFD Group has set itself the target of achieving €14bn in commitment authorisations in 2019, which will represent a 22% increase over the 2018 amount (€11.4bn).

In 2019, AFD Group will implement and operationalise the major commitments of its Strategic Orientation Plan: it will pursue its target of being 100% compliant with the Paris Agreement and will seek to guide its partners in this direction, particularly through the actions of the IDFC Club by participating and fuelling the momentum of the One Planet Summit. It will prepare a 100% Social Ties strategy that will detail the Group's ambition on this issue, including in with regard the challenges of reducing gender inequality.

In 2019, the new allocation of resources will enable growth of financing in human services (education and health) and in promoting gender inequality reductions. The Group will also invest in new fields such as cultural and creative industries and sport. AFD will continue its actions in crisis and fragility contexts by reinforcing its 3D (diplomacy, defence, development) approach, notably in the Sahel and the Middle East, and by focusing on the issues of democratic governance.

The Group's non-sovereign activities in Foreign States will reach €4.2bn. Lastly, the partnership ambition will be further emphasised with French partners (CSO, local authorities, companies) and European and international partners.

Forecast operations by region:

- 2018 saw the implementation of the *All Africa* approach including North and Sub-Saharan Africa, for the strategic and operational steering of the activity. AFD's activity in Africa is now structured around six regions, with regional departments on the ground and geographical units covering the same scopes at head office. The 2019 outlook plans for target activity of €4.9bn, including 2.45bn in sovereign loan financing. Several priorities have been identified to continue to implement the Ouagadougou speech, by developing the actions committed to the agricultural sectors, and by increasing the number of actions in human services, on particular education, health and young people. Africa benefits from a substantial increase in the 2019 subsidy budget (from €293M in 2018 to €924M in 2019, i.e. a tripling of the budget), which will be targeted as a priority to Sahel countries and priority countries for French development aid (amongst the 19 countries indicated as part of the February 2018 CICID). This growth in subsidies will enable a sustained activity to be maintained in countries faced with debt constraints. It will also enable AFD to deepen its actions in the Sahel, and more specifically in the crisis zones, by further adapting its procedures to have a faster impact and by developing the continuum of the Sahel-Maghreb (North Africa) activity. Lastly, AFD will continue to mobilise fund delegations, notably from the European Union, with a target of €390M in delegated loans;
- the reorganisation of AFD's geographical focus led to the creation of the *Orient* department in September 2018, which covers the former Asia scope, to which is added the Balkan countries, the Near and Middle East and Turkey. AFD's commitment objective in this new geographical area is €3bn in 2019, with a third in South East Asia, 15% in South Asia, 10% in China, 24% in Eurasia (Balkans, Turkey, Caucasus, and Central Asia), 18% in the Middle East. The intervention strategy in Asia, always in response to our partner countries' expectations, remains focused on the fight against climate change (production target of 70% of climate co-benefits) and support for energy transition on the one hand and territorial and ecological transition on the other. The modest size of AFD in the region and the financial conditions generally considered not very competitive compared to those that most countries benefit from on local markets or from multilateral development banks, lead us to systematically look for added value (innovative financial theme or structure, mobilisation of additional resources, technical assistance). AFD operates in sectors where France and/or AFD have recognised know-how (water and natural resources management, urban development/land use planning…) and the operations also aim to foster public policy dialogue with counterparties to promote low carbon development strategies that are more resilient to climate change. Around 80% of the Asian activity remains concentrated on the three major issues of energy transition, water management (resources, all uses) and the sustainable city. The remaining activity (20%) will explore other cooperation opportunities (biodiversity and heritage, governance, urban development/land use planning and

connectivity, social protection) which are also an area for discussions between France and Asia. In Asia, the activity remains mainly in the form of sovereign loans, but AFD will continue its efforts to develop its non-sovereign activity in Asia. The partnership with the Asian Development Bank (BAsD) will be strengthened: co-financing targets were recently raised to $2.5bn over the next 3 years, which means that over one third of the projects supported by AFD in Asia will be co-financed with the BAsD. In the Middle East, AFD's 2019 financing will aim to continue to support national sector policies, through public policy loans, project loans and subsidies. This financing will target the management of naturally constrained capital, reduce territorial and social inequalities and support governance. In a context of considerable exposure to climate disruptions, AFD's financing will help strengthen the countries' adaptation and mitigation capabilities. Through the SAWA Initiative for the Middle East created in 2017 in response to the Syrian crisis, AFD will contribute to the resilience of host and refugee populations in Jordan and Lebanon and to reconstruction in Iraq (stabilisation-reconstruction-development continuum). This financing will aim to strengthen access to basic services, training and employability of young people, economic recovery and social cohesion in a context of considerable pressure on resources and services. In 2019, the SAWA Initiative will benefit from the increase in subsidy resources allocated to crisis and fragility contexts and will enter into the partnership outlook of increasing delegations to trusted third parties. Across the Eastern regions, AFD will continue to look for European Union fund delegations, particularly through mixing facilities, to supplement its offering of European subsidy loans for technical assistance.

- AFD's activity target in the *Three Oceans* amounts to €1.6bn for 2019. AFD's operations in the region will be deployed for the first time in a triple overseas, foreign and regional framework to better meet the economic imperatives, environmental requirements and social challenges of these territories. In the French Overseas Departments and Collectivities, AFD has posted a financing approvals target of €1.26bn for 2019 including the activity carried out on behalf of Bpifrance expected to decrease by €220M compared to 2018. Excluding the BPI activity, AFD's activity target is €958M, up 7%, driven by the activity carried out on behalf of public players. With regard to the private sector, a continued momentum in own loans to companies and banks is expected, with a stable target of €130M, in line with the needs expressed by the local players. In the States neighbouring the overseas territories, the financing forecasts amount to €357M in a continuation of the momentum observed up to now. The priority countries for French aid (Haiti, Madagascar and the Comoros) will be the first beneficiaries of a subsidy logic. A particularly sustained effort, assessed at €53M, will be made in the Comoros, in line with the strategy of mitigating vulnerabilities which are a prerequisite for the economic development of areas threatened by fragilities detrimental to their growth.
- Since September 2018, the *Latin America* department has refocused on the subcontinent itself (with Cuba). The Caribbean activity has joined the new Three Oceans region. With a commitment authorisations target of €1.6bn, of which around half in the form of sovereign loans and the other half non-sovereign loans, in 2019 the activity in Latin America will continue on a growth trajectory for commitments in line with its target of €2bn by 2020, including 70% with climate co-benefits. After 2018 which was marked by an exceptional electoral cycle on the continent (notably in Mexico, Colombia and Brazil), a return to normal is hoped for despite new geopolitical uncertainties that weigh on the region. Thus, in Mexico, in addition to the continued significant public policy dialogue on energy issues, the installation of the new government could open up new cooperation areas in subjects such as the fight against inequality, notably gender inequality. In Colombia, the regulations on Major Risk limits could nonetheless require the Group to slow its commitment pace. The activity in Argentina should continue and be consolidated on the same basis as 2018, with a sovereign activity of €100M and an equivalent amount in non-sovereign activities with public banks and local authorities. Lastly, AFD's activity in Latin America intends to be even more partnership-based as around 40% of the volumes for 2019 should be co-financings, mainly with the IDB, and also the CAF, the World Bank, the Green Fund and the BCIE.

5.1.3 Borrowings

On 7 February 2019, AFD's Board of Directors authorised AFD to borrow a nominal maximum amount of €7.9bn for its operations on its own behalf in 2019, in the form of bank loans or bonds. This ceiling includes a maximum loan of €0.39bn 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 2018.

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 2018.

5.2 Post-closing events

A minority shareholder of Proparco confirmed its intention to exercise the option to buy back its shares by AFD. The actual implementation of the buyback is subject to a ministerial order.

The transaction is expected to be completed in 2019 and will increase AFD's stake in Proparco to 74%.

No other significant event took place after 31 December 2018.

5.3 Economic presentation of the consolidated financial statements

The following analysis seeks to provide a broad economic overview of AFD Group's development by type of activity on the basis of consolidated accounting data.

A detailed description of changes in the financial statements is provided in the notes to the consolidated financial statements.

The summary parent company financial statements appear in appendices 9.6 to 9.9

5.3.1 Consolidated balance sheet

Assets

In millions of euros	2018	2017
Loans (net outstanding)	32,798	30,430
• Gross outstandings	33,402	31,147
• Fair value adjustment	-46	
• Individual impairments	-475	-460
• Collective impairments	-188	-366
• Accrued interest	106	109
Collateral	387	499
Financial hedging derivatives	2,026	1,828
Accruals and other assets	86	123
Companies accounted for by the equity method	150	146
Other equity investments	1,497	1,284
Investment portfolio	764	778
Short-term cash assets	4,926	4,403
Fixed assets	234	226
TOTAL ASSETS	**42,868**	**39,717**

Liabilities

In millions of euros	2018	2017
Market borrowings	31,244	28,892
Treasury loan	1,048	720
Current accounts	15	21
Collateral	957	886
Financial hedging derivatives	1,279	1,323
Managed funds	467	333
Accruals and other liabilities	660	600
Provisions	1,002	849
Equity (Group share)	5,980	5,799
of which Group income	115	313
Minority interests	217	295
TOTAL LIABILITIES	**42,868**	**39,717**

ASSETS

The change in total balance sheet assets is mainly due to the increased net outstandings (+8%), equity investments (+17%), investment portfolio (+8%) and level of cash (+10%) of AFD Group.

Net loans outstanding of AFD Group totalled €32,798M at 31 December 2018, i.e. 77% of the consolidated balance sheet, an increase of €2,367M (+8%) compared with the previous year.

Gross outstandings stood at €33,402M, up €2,255M or (+7%) compared with 2017.

The change in gross consolidated outstandings was mainly due to:

- the increase in loans at the Group's risk in the foreign country zone (up €2,307M);
- an increase in outstanding loans in the French Overseas Departments and Collectivities (+€243M); partially offset by:
- the decline in loans at the risk of the French State (-€280M).

The initial application of IFRS 9 by AFD Group on 1 January 2018 resulted in the reclassification to financial assets at fair value through profit or loss of a loan portfolio whose contractual flows are not solely payments of principal and interest (SPPI). The adjustment to fair value of this portfolio had an impact on equity of -€18.4M. At 31 December 2018, the adjustment to fair value of this portfolio amounted to (-€46M).

	2018		2017	
In millions of euros	Amount	%	Amount	%
- Loans at AFD Group's risk	**32,746**	**98%**	**30,212**	**97%**
Of which Foreign countries	*27,187*	*81%*	*24,880*	*80%*
Sovereign	*16,254*	*49%*	*14,598*	*47%*
Non-sovereign	*10,932*	*33%*	*10,282*	*33%*
Of which French Overseas Collectivities	5,459	16%	5,216	17%
Of which other loan outstandings	101	0%	115	0%
- Loans at the State's risk	**656**	**2%**	**936**	**3%**
Loans guaranteed by the State	*630*	*2%*	*882*	*3%*
Loans granted by the State	*25*	*0%*	*54*	*0%*
GROSS CONSOLIDATED OUTSTANDINGS	**33,402**		**31,147**	

5

Outstanding loans at the Group's risk (€32,746M, of which €27,187M for foreign countries and €5,459M for French Overseas Departments and Collectivities) resulted in impairments totalling €663M on non-sovereign and French Overseas Departments and Collectivities loans, or a coverage rate of 4%.

Performing sovereign loans were covered for the amount of €826M at 31 December 2018, representing a coverage rate of 5.1%.

Summary of outstandings and impairments

In millions of euros	Outstandings	Impairments
Foreign countries		
Sovereign	16,254	826
of which doubtful	*104*	*85*
Non-sovereign	10,932	508
of which doubtful	*512*	*320*
French Overseas Departments and Collectivities		
Non-sovereign	5,459	70
of which doubtful	*285*	*70*
Other outstanding loans	101	
TOTAL	**32,746**	**1,405**
of which doubtful	*901*	*475*

The change in total balance sheet assets also reflects the change in cash (€4,926M), which rose sharply during the year (+€523M). 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	2018	2017	Change
AFD	4,798	4,255	543
Proparco	85	111	-25
Fisea	21	17	4
Socredo	0	0	0
Soderag	5	5	0
Sogefom	15	13	2
Other subsidiaries	1	1	0
GROUP TOTAL	**4,926**	**4,403**	**523**

Other assets amounted to €5,145M in 2018 versus €4,884M in 2017 and represented 12% of total assets. They include the following items:

- financial hedging derivatives of €2,026M (€1,828M in 2017);
- other equity investments for €1,497M (€1,284M in 2017);
- fixed assets, accruals and other assets of €320M (€349M in 2017);
- the investment portfolio of €764M (€778M in 2017);
- collateral of €387M (€499M in 2017);
- equity-accounted equity stakes of €150M (€146M in 2017).

Bank transactions and related transactions are not included in the scope of payment term information mentioned in article D.441-4 of the French Commercial Code as AFD does not believe they fall within the scope of the information to be furnished.

LIABILITIES

AFD Group **borrowings** totalled €32,292M in 2018. They consist of the following items:

- outstanding **market borrowings** stood at €31,244M million at 31 December 2018, an increase of €2,352M on 31 December 2017 as a result of the 30 bonds issued in 2018;
- outstanding **borrowings from** the French **Treasury** amounted to €1,048M versus €720M in 2017. This increase mainly relates to the arrangement of a €208M loan and the drawdown in 2017 of the resource with special conditions for a total of €280M, of which a nominal amount of €160M was drawn in 2017 and the balance of €120M in September 2018.

Other liabilities amounted to €4,380M in 2018 (€4,023M in 2017). They include the following items:

- hedging derivatives of €1,279M (€1,323M in 2017);
- provisions of €1,002M (€849M in 2017);
- collateral of €957M (€886M in 2017);
- funds under management and advances from the State of €467M (€333M in 2017);
- current accounts and accruals and other liabilities of €676M (€621M in 2017). Other liabilities include €9M 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 2018 are shown below:

	31/12/2018					31/12/2017				
	Unmatured debt					Unmatured debt				
In millions of euros	0-30 days	31-60 days	61 days or more	Matured debt	Total	0-30 days	31-60 days	61 days or more	Matured debt	Total
Supplier debt	1.7	0.0	0.0	7.8	9.5	4.5	1.0	0.0	3.4	8.9

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

Net position	2018	2017	Change
AFD	5,745	5,575	171
Proparco	277	264	12
Socredo	106	102	4
Soderag	-122	-122	0
Other subsidiaries	-26	-20	-5
GROUP TOTAL	**5,980**	**5,799**	**181**

The **"regulatory" equity** amounts[(1)] to €7,179M at 31 December 2018 compared with €6,339M at the end of 2017. Tier 1 capital for 2018 stands at €6,170M; Tier 2 capital stands at €840M.

AFD **paid** the French government a **dividend** of €43M in 2018, compared with €28M in 2017 and €36M in 2016 (distribution rate unchanged at 20%).

Minority interests (share of equity) were reduced to €217M at 31 December 2018, compared with €295M at the end of 2017. This essentially related to the expiry of the window for put options granted to Proparco minorities.

5.3.2 Consolidated income statement

In millions of euros	2018	2017	Change
Income on loans and guarantees	**1,491**	**1,361**	**129**
Financial expenses on borrowings	**-1,128**	**-1,006**	**-122**
Subsidies	**188**	**186**	**2**
Commissions	**79**	**71**	**8**
Net gains/losses on financial instruments at fair value through profit and loss	**-37**	**82**	**-120**
Investment income	**8**	**24**	**-16**
Ancillary income and miscellaneous expenses	**45**	**36**	**9**
Net banking income	**646**	**755**	**-109**
Overheads	410	367	42
• Staff costs	261	235	25
• Taxes and other general expenses	149	132	17
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	**23**	**20**	**2**
Total expenses on non-banking operations	**432**	**388**	**45**
Gross operating income	**214**	**367**	**-154**
Cost of risk	**-67**	**-12**	**-55**
- Collective provisions	-29	52	-80
- Individual impairments of non-sovereign loans	-30	-53	23
- Losses on principal of bad loans	-9	-11	2
Operating income	**146**	**355**	**-209**
Share of earnings from companies accounted for by the equity method	5	5	0
Net gains or losses on other assets	0	-12	12
+/-Change in value of purchases	0	0	0
Pre-tax income	**151**	**347**	**-197**
Corporate tax	-13	-15	2
Net income from discontinued or discontinuing activities	0	0	0
Net income	**138**	**332**	**-195**
Minority interests	**-22**	**-20**	**-3**
NET INCOME - GROUP SHARE	**115**	**313**	**-198**

(1) Shareholders' equity is calculated in compliance with EU Directive 2013/36/EU and Regulation No. 575/2013

INTERMEDIATE BALANCES

Changes in the intermediate balances over the last two financial years are as follows:

NR	2018	2017	Change
Net banking income	**646**	**755**	**-109**
Overheads on non-banking operations	432	388	45
Gross operating income	214	367	-154
Cost of risk	-67	-12	-55
Operating income	**146**	**355**	**-209**
Net income	**138**	**332**	**-195**
Minority interests	-22	-20	-3
NET INCOME - GROUP SHARE	**115**	**313**	**-198**

AFD Group's income for 2018 was €115M (Group share), down €198M compared with 2017.

NET BANKING INCOME

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

Net banking income	2018	2017	Change
AFD	**501**	**620**	**-119**
Proparco	150	143	7
Fisea	-6	-10	4
Soderag	0	0	0
Sogefom	1	2	-1
Propasia	0	0	0
GROUP TOTAL	**646**	**755**	**-109**

NBI amounted to €646M in 2018, down €109M from 2017 due to the combined effect of the following items:

Net banking income	2018	2017	Change
Balance of loans/borrowings	**557**	**550**	**7**
Investment income	8	24	-16
Net interest provisions	-6	-8	3
Commissions	79	71	8
Income on instruments at fair value net of currency effects	-37	82	-120
Other financial income and expenses	45	36	9
GROUP TOTAL	**646**	**755**	**-109**

The change in NBI is mainly due to the fall in income from financial instruments at fair value through profit or loss, net of currency effects (-€120M). This is linked to the introduction of IFRS 9, creating additional volatility with a new loan portfolio and associated hedges which are now measured at fair value through profit or loss.

GROSS OPERATING INCOME

Gross operating income totalled €214M in 2018 versus €367M in 2017. The €154M decrease is the combined result of the fall in NBI (-€109M), coupled with the negative impact of an increase in non-banking operating expenses (+€45M).

The increase in non-banking operating expenses was planned in AFD's 2018 budget, which in turn was up 13% on the 2017 budget. In effect, the budget approved by the Board of Directors estimated operating expenses at €418M, with an estimated out-turn of €417M at year-end related to the implementation of the necessary human and material resources in the context of AFD's growth.

The increase in non-banking operating expenses is therefore linked to the rise in staff costs, corresponding to the additional workforce and higher external expenses (extensive need for consultants and various assignments).

COST OF RISK

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €67M compared with €12M in 2017 and breaks down as follows:

Cost of risk	2018	2017	Change
AFD	-62	7	-69
Proparco	-6	-19	13
Fisea	0	0	0
Soderag	0	0	0
Sogefom	1	-1	1
Other subsidiaries	0	0	0
GROUP TOTAL	**-67**	**-12**	**-55**

The increase in cost of risk during the year is mainly due to the extraordinary write-off of €48.5M from 2017, following refinements to the method used to recognise provisions for Proparco sub-holdings.

Note that before the impact of the refinements, cost of risk is close to its normal level.

The initial application of IFRS 9 on 1 January 2018 was recorded in shareholders' equity and materialised as a reversal of impairments for +€134M.

OPERATING INCOME

The reduction in gross operating income (-€154M) and the negative impact of the rise in the cost of risk led to operating income of €146M, down €209M compared with 2017.

ORDINARY INCOME BEFORE TAX

Following the disposal of equity investments held in the SIDOMs during the 2017 financial year, the gains on other assets item decreased by €12M, including the capital loss of €13M recorded on the disposal of Simar, an equity-accounted company in AFD Group's consolidated financial statements.

The share of equity-accounted companies[(1)] (€5M) is stable over the period. Ordinary income before tax was consequently €151M in 2018 (compared with €347M in 2017).

NET INCOME

Taking account of corporate tax (€13M) and the interests of minority shareholders in Proparco, Propasia and Sogefom (€22M), net profit, group share totalled €115M.

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(1) Corresponds to the share of earnings from the equity-accounted companies in the Group's consolidated financial statements.

Consolidated financial statements prepared in accordance with IFRS accounting principles adopted by the European Union

6.1 Overview

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

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

Listed on the Paris Trade and Companies Register under Number 775 655 599.

6.1.1 Balance sheet at 31 December 2018

Assets

In thousands of euros	Notes	31/12/2018	01/01/2018	31/12/2017
Cash, due from central banks		1,399,405	1,016,778	1,016,778
Financial assets at fair value through profit and loss	1	2,413,386	2,715,368	180,095
Hedging derivatives	2	1,824,239	1,575,481	1,679,788
Financial assets available for sale		-	-	3,016,003
Financial assets at fair value through equity	3	1,464,695	1,505,078	
Debt securities at amortised cost	5	1,301,006	843,527	
Financial assets at amortised cost		33,607,788	31,277,521	32,051,148
Loans and receivables due from credit institutions and equivalent at amortised cost	5	7,122,024	6,416,714	6,613,638
Demand		*1,908,646*	*1,260,143*	*1,260,143*
Term		*5,213,378*	*5,156,571*	*5,353,495*
Loans and receivables due from customers at amortised cost	5	26,485,764	24,860,806	25,437,510
Other loans to customers		*26,485,764*	*24,860,806*	*25,437,510*
Revaluation differences on interest rate-hedged portfolio		778	1,166	1,166
Held-to-maturity financial assets			-	778,182
Current tax assets		1	1	
Deferred tax assets		20,517	18,304	22,683
Accruals and other miscellaneous assets	6	452,408	599,443	599,443
Accruals		*10,464*	*53,335*	*53,335*
Other assets		*441,945*	*546,107*	*546,107*
Equity stakes in companies accounted for by the equity method	18	150,105	146,156	146,156
Property, plant and equipment	7	195,038	194,190	194,190
Intangible assets	7	39,043	31,822	31,822
TOTAL ASSETS		**42,868,409**	**39,924,834**	**39,717,454**

Liabilities

In thousands of euros	Notes	31/12/2018	01/01/2018	31/12/2017
Central banks		-	76	76
Financial liabilities at fair value through profit and loss	1	339,159	266,205	266,205
Hedging derivatives	2	940,339	1,057,272	1,057,272
Financial liabilities at amortised cost		31,258,744	28,913,105	28,913,105
Debt securities in issue at amortised cost	8	31,245,275	28,893,858	28,893,858
Interbank market securities		*478,250*	*679,787*	*679,787*
Bonds		*30,767,025*	*28,214,071*	*28,214,071*
Debts to credit institutions and equivalent at amortised cost	8	11,779	17,060	17,060
Demand		*11,139*	*16,416*	*16,416*
Term		*640*	*644*	*644*
Debts to customers at amortised cost	8	1,690	2,187	2,187
of which demand		*1,690*	*2,187*	*2,187*
Current and deferred tax liabilities		7,099	8,455	6,345
Accruals and other miscellaneous liabilities	6	2,076,824	1,811,741	1,811,741
Allocated public funds		*69,530*	*69,776*	*69,776*
Other liabilities		*2,007,294*	*1,741,964*	*1,741,964*
Provisions	9	1,001,700	921,496	849,211
Subordinated debt	10	1,048,007	720,005	720,005
TOTAL DEBTS		**36,671,873**	**33,698,356**	**33,623,960**
Equity Group share	(Tab 1)	5,980,012	5,930,000	5,798,892
Provisions and related retained earnings		3,267,999	3,267,999	3,267,999
Consolidated retained earnings and other		2,540,341	2,258,117	2,069,707
Gains and losses directly recognised in equity		56,447	91,079	148,381
Earnings for the period		115,225	312,805	312,805
Minority interests	(Tab 1)	216,524	296,478	294,602
Total equity		**6,196,536**	**6,226,478**	**6,093,494**
TOTAL LIABILITIES		**42,868,409**	**39,924,834**	**39,717,454**

6.1.2 Income statement at 31 December 2018

In thousands of euros	Notes	31/12/2018	31/12/2017
Interest and related income	**11**	**1,487,386**	**1,358,718**
Transactions with credit institutions		312,507	289,725
Transactions with customers		693,455	660,233
Bonds and other fixed-income securities		23,863	22,724
Other interest and similar income		457,560	386,036
Interest and related expenses	**11**	**1,140,626**	**1,005,923**
Transactions with credit institutions		662,384	597,564
Transactions with customers		26	-
Bonds and other fixed-income securities		484,871	387,590
Other interest and similar expenses		-6,655	20,769
Commissions (income)	**12**	**99,969**	**87,748**
Commissions (expenses)	**12**	**1,039**	**1,830**
Net gains or losses on available-for-sale financial assets			**32,727**
Net gains or losses on financial instruments at fair value through profit or loss	**13**	**-37,397**	**82,434**
Net gains and losses on financial assets recognised at fair value through equity	**14**	**11,652**	
Income from other activities	**15**	**234,948**	**229,794**
Expenses on other activities		**8,932**	**28,453**
Net banking income		**645,960**	**755,216**
Overheads	**16**	**409,740**	**367,252**
Staff costs		260,752	235,483
Other administrative expenses		148,988	131,769
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	**7**	**22,564**	**20,490**
Gross operating income		**213,656**	**367,473**
Cost of credit risk	**17**	**-67,270**	**-12,279**
Operating income		**146,387**	**355,194**
Share of earnings from companies accounted for by the equity method	**18**	**4,515**	**4,596**
Net gains or losses on other assets		**-75**	**-12,357**
Pre-tax income		**150,827**	**347,434**
Corporate tax	**19**	**-13,227**	**-15,075**
Net income		**137,600**	**332,359**
Minority interests		-22,374	-19,554
NET INCOME - GROUP SHARE		**115,225**	**312,805**

6.1.3 Net income and gains and losses booked directly as equity at 31 December 2018

In thousands of euros	31/12/2018	31/12/2017
Net income	**137,600**	**332,359**
Net gains and losses directly recognised in equity to be recycled in profit or loss	**-21,330**	**-26,399**
Net translation gains and losses		
Gains and losses on available-for-sale financial assets		-26,399
Net gains and losses on debt securities directly recognised in equity to be recycled in profit or loss	-21,330	
Net gains and losses directly recognised in equity not to be recycled in profit or loss	**-16,677**	**7,109**
Actuarial gains and losses on post-employment benefits	2,020	7,109
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	-18,697	
TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY	**-38,007**	**-19,289**
Net income and gains and losses directly recognised in equity	**99,593**	**313,069**
of which Group share	80,593	305,256
of which minority interests	19,000	7,813

6.1.4 Cash flow statement at 31 December 2018

In thousands of euros	31/12/2018	31/12/2017
PRE-TAX INCOME (A)	**128,452**	**327,880**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	22,564	20,490
Impairment of goodwill and other fixed assets	-	-
Net allocations to provisions (including insurance technical reserves)	6,902	53,133
Share of earnings from companies accounted for by the equity method	-4,515	-4,596
Net gain/(net loss) on investment activities	32,535	-18,558
Net gain/(net loss) on financing activities	21,933	22,659
Other items(1)(2)	260,566	18,914
TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)	**339,986**	**92,043**
Cash received from credit institutions and equivalent	-1,323,473	653,361
Cash received from customers	-1,677,261	-1,393,652
Cash flows from other operations affecting other financial assets or liabilities	-6,396	1,233,828
Cash flows from operations affecting non-financial assets or liabilities	328,422	482,844
Taxes paid	-16,968	-14,694
= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)	**-2,695,676**	**961,687**
Net cash flows from operating activities (A+B+C)	**-2,227,238**	**1,381,609**
Cash flows from financial assets and equity stakes*	-247,406	-38,447
Cash flows from property, plant and equipment and intangible assets	-37,975	-9,341
Net cash flows from investment activities	**-285,381**	**-47,789**
Cash flows from shareholders**	311,424	8,846
Cash flows to shareholders***	-49,297	-13,903
Other net cash flows from financing activities****	3,287,006	160,000
Net cash flows from financing activities	**3,549,133**	**154,943**
Net increase/(decrease) in cash and cash equivalents	**1,036,514**	**1,488,763**
Opening balance of cash and cash equivalents	**2,258,242**	**769,479**
Net balance of cash accounts and accounts with central banks	1,016,702	173,209
Net balance of term loans and deposits from credit institutions	1,241,540	596,270
Ending balance of cash and cash equivalents	**3,294,756**	**2,258,242**
Net balance of cash accounts and accounts with central banks(1)	1,399,405	1,016,702
Net balance of term loans and deposits from credit institutions(3)	1,895,351	1,241,540
Change in cash and cash equivalents	**1,036,514**	**1,488,763**

(1) Of which value adjustments to balance sheet items.
(2) Net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet at 31 December 2018.
(3) Net balance of "Demand receivables and payables from/to credit institutions".
** Cash flows linked to financial assets and equity stakes mostly come from equity investments by Proparco and relate to movements over the period between acquisitions, sales and remittances.*
*** Cash flows from shareholders comprise State loans (RCS).*
**** Cash flows to shareholders consist of dividends paid by AFD to the State and by Proparco to minority shareholders.*
***** Other net cash flows from financing activities are market borrowings by AFD to finance its growing operating activities (see Section 1.1 Financing of the Group's activity).*

6.1.5 Statement of changes in shareholders' equity from 1 January 2017 to 31 December 2018

In thousands of euros	Provisions	Funding reserves	Consolidated reserves	Net income	Unrealised or deferred gains or losses	Equity – Group share	Equity – Minority interests	Total consolidated equity
SHAREHOLDERS' EQUITY AT 1 JANUARY 2017 (IFRS STANDARDS)	**2,807,999**	**460,000**	**1,851,719**	**246,200**	**155,930**	**5,521,848**	**294,334**	**5,816,182**
Share of 2016 earnings retained in reserves			218,558	-218,558		-		-
Dividends paid				-27,642		-27,642	-7,415	-35,057
Other changes			-570			-570	-39	-609
Changes related to put options						-	-92	-92
2017 income				312,805		312,805	19,554	332,359
Gains or losses directly recorded in equity for 2017					-7,549	-7,549	-11,741	-19,290
SHAREHOLDERS' EQUITY AT 31 DEC 2017 (IFRS)	**2,807,999**	**460,000**	**2,069,707**	**312,805**	**148,381**	**5,798,892**	**294,602**	**6,093,494**
Impact of changes to IFRS 9			197,447		-57,302	140,145	1,875	142,020
Impact of initial measurement of healthcare plans for staff working overseas			-9,036			-9,036		-9,036
SHAREHOLDERS' EQUITY 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 2018 earnings retained in reserves			269,884	-269,884		-		-
Dividends paid				-42,921		-42,921	-5,902	-48,823
Other changes			12,340			12,340	584	12,924
Changes related to put options						-	-93,635	-93,635
2018 income				115,225		115,225	22,374	137,600
Gains or losses directly recorded in equity for 2018					-34,632	-34,632	-3,374	-38,007
SHAREHOLDERS' EQUITY 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**

In thousands of euros	**31/12/2018**	31/12/2017
Items that will be subsequently recycled to profit or loss	1,579	10,932
Items that will not be subsequently recycled to profit or loss	54,868	47,877
of which actuarial gains and losses on defined benefit liabilities*	738	-1,282
TOTAL	**56,447**	**58,809**

* *The scope does not include first application entries which are booked to consolidated reserves.*

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6.2 Notes to the consolidated financial statements

6.2.1 Significant events of the period

6.2.1.1 Financing of the Group's activity

To finance the growth in activity on its own behalf, in 2018 AFD made five bond issues in the form of public issues and sixteen private placements, as well as nine tap issues, for a total volume of €6.5B.

6.2.1.2 Appropriation of 2017 earnings

Pursuant to Article 79 of the amending 2001 Finance Bill N° 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is determined by ministerial order.

The 2017 financial statements were approved by the Board of Directors on 11 April 2018. The Minister of the Economy and Finance determined the 2017 dividend to be paid by AFD to the French State. It amounted to €42.9M, which equates to 20% of AFD's 20 net income of €20M and was paid after publication in the Official Journal.

Residual earnings after dividends (i.e. €171.7 million) were retained in reserves.

6.2.1.3 Fisea Capital increase

AFD paid up its subscribed shares in the subsidiary Fisea for €20.0M following the capital increase approved by shareholders on 13 June 2018.

6.2.1.4 End of the economic and social union between AFD and IEDOM

The economic and social union between AFD and IEDOM ended on 28 February 2018. Employees seconded by AFD to IEDOM, and IEDOM staff seconded to AFD local offices in French Overseas Departments and Collectivities, were invited to choose between (i) the continuation of their secondment, or (ii) the transfer of their employment contracts to the company they were working for at that time.

At 28 February 2018, 59 members of staff had opted to return to AFD and 4 had decided to remain with IEDOM.

At 31 December 2018, the net impact of the transfer of staff between AFD and IEDOM was an increase in provisions for employee benefit obligations of €3.7M.

The impact on 2018 income is neutral following the reinvoicing of this commitment to IEDOM.

6.2.1.5 Initial measurement of the healthcare plan for staff working overseas

This plan consists of directly reimbursing local AFD staff for a select range of healthcare benefits, depending on the country. These various plans cover active AFD staff and former staff who are now retired, together with their dependants. AFD offers its staff lifetime maintenance of this cover once they have retired.

The commitment provisioned by AFD under these plans corresponds to the commitment towards current retirees and future retirees who are still working.

At 31 December 2018, the initial measurement of this commitment came to €9.04M. It was recognised by adjusting opening reserves in accordance with IFRS.

6.2.1.6 Initial application of IFRS 9 within AFD Group

AFD Group has implemented the new standard for financial instruments, IFRS 9, which has been mandatory since 1 January 2018.

The effects of the initial application of IFRS 9 are disclosed in section 6.2.4 "Impact of the initial application of IFRS 9".

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 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 AFD Group at 31 December 2018 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 2018 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 2018 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
IFRS 15 Income from contracts with customers	September 2016	
Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	(EU 2016/1905)	1 January 2018
IFRS 9 Financial Instruments	November 2016	
Replacement of IAS 39 – Financial Instruments: recognition and measurement	(EU 2016/2067)	1 January 2018
Amendments to IFRS 9 Prepayment features with negative compensation	The date of adoption by the EU has not yet been fixed	1 January 2019[(1)]
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation clarifies IAS 21 Effects of Changes in Foreign Exchange Rates	April 2018 (EU 2018/519)	1 January 2018

(1) AFD Group decided to apply the amendment to IFRS 9 early, from 1 January 2018.

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

From 1 January 2018, AFD Group published its IFRS financial statements for the first time in accordance with IFRS 9 Financial Instruments (section 6.2.3.2, "Accounting standards applicable to AFD").

The most important new standards published but not yet applicable to the 2018 financial year are as follows:

Standards, amendments or interpretations	Dates of publication by the European Union	Date of application: financial years starting
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

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It sets out new principles for classifying and measuring financial instruments, credit risk impairment and hedge accounting, excluding macro-hedges.

IFRS 9 is mandatory and applies retrospectively from 1 January 2018 by adjusting the opening balance sheet at the date of initial application, without the obligation to restate the financial statements of the 2017 comparative period. Accordingly, the assets and liabilities of the 2017 financial year relating to financial instruments are recognised and measured in accordance with IAS 39, as described in the accounting principles and policies presented in the 2017 financial statements.

The effects of the initial application of IFRS 9 are disclosed in section 6.2.4, "Impact of the initial application of IFRS 9".

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers applies from 1 January 2018 (in accordance with Regulation (EU) 2016/1905). The "Clarification of IFRS 15" amendment, which provides additional information, comes into force on the same date (in accordance with regulation EU 2017/1987).

IFRS 15 replaced IAS 11 Construction Contracts, IAS 18 Revenue, and all interpretations linked to IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

It brings together in a single text the principles for recognising revenue from the sale of long-term contracts, sales of goods and also services which do not fall within the scope of the standards for financial instruments (IAS 39/IFRS 9), insurance policies (IFRS 4/IFRS 39) and leases (IAS 17/IFRS 9). (IAS 17/IFRS 16). It introduced new concepts which could change the way some items of net banking income are recognised.

For the initial application of IFRS 15, AFD Group opted for the modified retrospective method without comparison with the 2017 financial year. The application of IFRS 15 had no material impact on income or shareholders' equity.

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 and all the associated interpretations (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC 15, Operating Leases – Incentives and SIC 27, Evaluating the Substance of Transactions in the Legal Form of a Lease). It will apply to all annual periods starting 1 January 2019.

The main change introduced by IFRS 16 relates to lessee accounting. IFRS 16 will require lessees to adopt a model which accounts for all leases in their balance sheet, recognising in liabilities all commitments for the full duration of the agreement and, in assets, a usage right to be amortised.

In 2017, 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 has finalised the choice of structuring options for the interpretation of the standard. It has also collated the information necessary to enable the processing of data for all of the Group's leases. It will quantify the impact in the first quarter of 2019 on the basis of the financial statements at 31 December 2018.

The Group will apply the simplified retrospective method by recognising the cumulative effect of the initial application at the transition date (1 January 2019).

The Group does not expect the application of IFRS 16 to have any material impact on its equity. The Group has chosen to use the two accounting exemptions proposed by the standard for the following contracts:

- short-term leases;
- leases for which the underlying asset is of low value.

6.2.3 Principles for the preparation of the consolidated financial statements of AFD Group at 31 December 2018

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.
- **Consolidation standards IFRS 10-11-12: Significant judgements and assumptions used in determining the scope of consolidation:**

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

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

  The 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 2017	% control 2018	% interest 2018	Balance sheet total(1)	Total net income	Contribution to earnings(2)
AFD					**42,233,210**		**82,413**
Fully consolidated companies							
Soderag	Antilles	100.00	100.00	100.00	5,316		-23
Proparco	Paris	64.95	64.95	64.95	5,373,835		41,769
Sogefom – AFD share	Paris	58.69	58.69	58.69	43,064		-320
Sogefom – Socredo share	Paris	1.31	1.31				
Fisea	Paris	100.00	100.00	100.00	209,793		-7,234
Propasia	Hong Kong	100.00	100.00	64.95	7,601		85
Companies accounted for by the equity method							
• Non-financial entities							
Société Immobilière de Nouvelle Calédonie	New Caledonia	50.00	50.00	50.00	43,248		-693
Société immobilière de la Martinique	Martinique				0		0
• Financial entities							
Banque Socredo	Polynesia	35.00	35.00	35.00	105,776		5,208
Entities not accounted for							
• Foreign state-owned or partially state-owned entities							
Société Financière Algérienne et Européenne de Participation (Finalep)	Algeria	28.73	28.73	28.73	13,587	226	
Banque Nationale de Développement Agricole	Mali	22.67	22.67	22.67	620,987	12,232	
Banque de Développement des Seychelles	Seychelles	20.41	20.41	20.41	69,862	1,020	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20.00	20.00	20.00	26,468	3,331	
• Stakes held by Proparco in entities abroad							
Acon Latin America Opportunities Fund A	Multi-country	20.00	20.00	20.00	42,834	1,717	
Acon Renewables BV (Hidrotenencias SA)	Panama	24.47	24.47	24.47	144,077	4,259	
ADOBE MEZZANINE FUND	Multi-country	23.70					
Attijari Bank	Mauritania	20.00	20.00	20.00	190,961	13,471	
Averroes Finance II	Multi-country	50.00	50.00	50.00	22,319	-439	
Averroes Finance III	Multi-country	40.00	40.00	40.00	9,732	-763	
Averroes Finance SAS	Multi-country	34.25	34.25	34.25	1,380	-1,432	
BIMR	Djibouti	20.00	20.00	20.00	515,698	6,993	
Catalyst Fund II	Multi-country						
Central Africa Growth Fund	Multi-country	24.47	24.47	24.47	520	78	
CFE TUNISIE	Tunisia	21.00	17.64	17.64	8,885	-169	
Ecocem MEA SAS	Multi-country	30.00					
Fegace Asia sub fund	Multi-country	20.00					
IT worx (It holding)	Egypt	23.87	23.87	23.87	28,052	941	
MC II CONCRETE Limited	Multi-country	22.22	22.22	22.22	242,387	22,435	
Seaf India Agribusiness International Fund	India	33.36	33.36	33.36	13,468	169	

In thousands of euros	Localisation	% control 2017	% control 2018	% interest 2018	Balance sheet total(1)	Total net income	Contribution to earnings(2)
TIBA EDUCATION HOLDING BV	Egypt	100.00	100.00	100.00	13,194	-12	
TLG Finance SAS (Alios Finance)	Multi-country	23.00	22.84	22.84	16,440	-5,394	
TPS (D) Limited	Tanzania	20.50	20.50	20.50	34	-1	
Tunisie Participations SA (formerly Tunisie Sicar)	Tunisia	20.00	20.00	20.00	632	14	
Unimed	Tunisia	26.00	26.00	26.00			
Upline Technologies	Morocco	20					
Wadi Holding	Egypt	35.29	35.29	35.29	131,392	-9,099	
Amethis Milling SPV	Mozambique		26.32	26.32	N/A	N/A	
BOZANO INVESTIMENTOS GROWTH CAPITAL FUND I -A LP	Brazil		33.33	33.33	N/A	N/A	
CAPSQUARE ASIA PARTNERS FUND II LP	Indonesia		24.92	24.92	389	-1,613	
RETIRO PARTICIPATIONS	France		100.00	100.00	N/A	N/A	
TR PROPASIA	Multi-country		100.00	100.00	4,827	-157	
• 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							
Chain Hotel Conakry	West Africa	23,1717	23.17	23.17	35,358	-3,279	
Duet Consumer West Africa Holding	West Africa						
Fanisi Venture Capital Fund	Multi-country	22.99	22.99	22.99	10,957	-758	
Fefisol	Multi-country	20.00	20.00	20.00	27,948	-725	
I&P Développement 2	West Africa	20,5339					
Metier Capital Growth International Fund II	Multi-country	28,9101	28.91	28.91	14,934	-372	
Oxus RDC	Central Africa						
Oasis Africa Fund	West Africa	20.59				N/A	
GROUP SHARE							**121,205**

(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.

	31/12/2018			31/12/2017		
In thousands of euros	% of control and vote held by minority interests	Share of net income	Share of shareholders' equity (of which income)	% of control and vote held by minority interests	Share of net income	Share of shareholders' equity (of which income)
Proparco	35.05%	22,542	208,502	35.05%	19,750	286,109
Other subsidiaries		-167	8,021		-196	8,493
TOTAL MINORITY SHARE		**22,374**	**216,524**		**19,554**	**294,602**
TOTAL GROUP SHARE		**115,225**	**5,980,012**		**312,805**	**5,798,892**

Minority interests:

- Non-controlling interests are immaterial with regard to the Group's financial statements, either separately or cumulatively.
- AFD Group has no contractual obligation to provide assistance to structured entities Fisea and Propasia above and beyond the standard obligations arising from its interest in these entities and has no intention of providing support in the future.
- Interests in joint arrangements and associates have a negligible impact on the financial statements of AFD Group.

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 2018, the company's share capital totalled €693M and AFD's stake was 64.95%.
- 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 2018, 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), the French overseas guarantee fund management company whose shares AFD bought back from the Institut d'émission d'outre-mer (IEOM), the central bank for French Overseas Departments and Collectivities;

  On 12 August 2003, at the request of the French Ministry of the Economy, Finance and Industry and the Ministry of Overseas France.

  At 31 December 2017, the company's share capital amounted to €1.1M. It is 100% owned by AFD.
- Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. This simplified joint-stock company with registered capital of €210.0M is almost wholly owned by AFD, with Proparco owning one share. It is managed by Proparco;
- TR Propasia LTD, a public limited company created in October 2008, whose corporate purpose is purchasing equity stakes in companies or organisations that promote environmentally-friendly economic and social development in Asia. The company is registered in Hong Kong and has $10M in share capital. It is a wholly-owned subsidiary of Proparco. At 31 December 2018, 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 2018, 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 in measuring interest by using the company's net position and calculating a share of its restated income according to the stake held in its share capital.

Comments on other companies

AFD also has holdings in a number of companies over whose management it has no significant influence. These companies are not consolidated, either fully or using the equity method. They are capitalized under "Financial assets at fair value through profit and loss" or "Financial assets at fair value through 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 2018 are described below.

6.2.3.2.1 Conversion of foreign currencies

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

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or marked to market. Non-monetary assets denominated in foreign currencies are, in the first case, converted at the exchange rate on the date of the initial transaction or, in the second case, at the rate applicable on the date on which market value was determined. 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 booked 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 measurement of 12 month expected credit losses or lifetime expected credit losses under 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 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 equity instrument of another entity.

Financial assets and liabilities are recognised in the financial statements in accordance with 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 or 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 or loss.

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 or 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 is based 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.

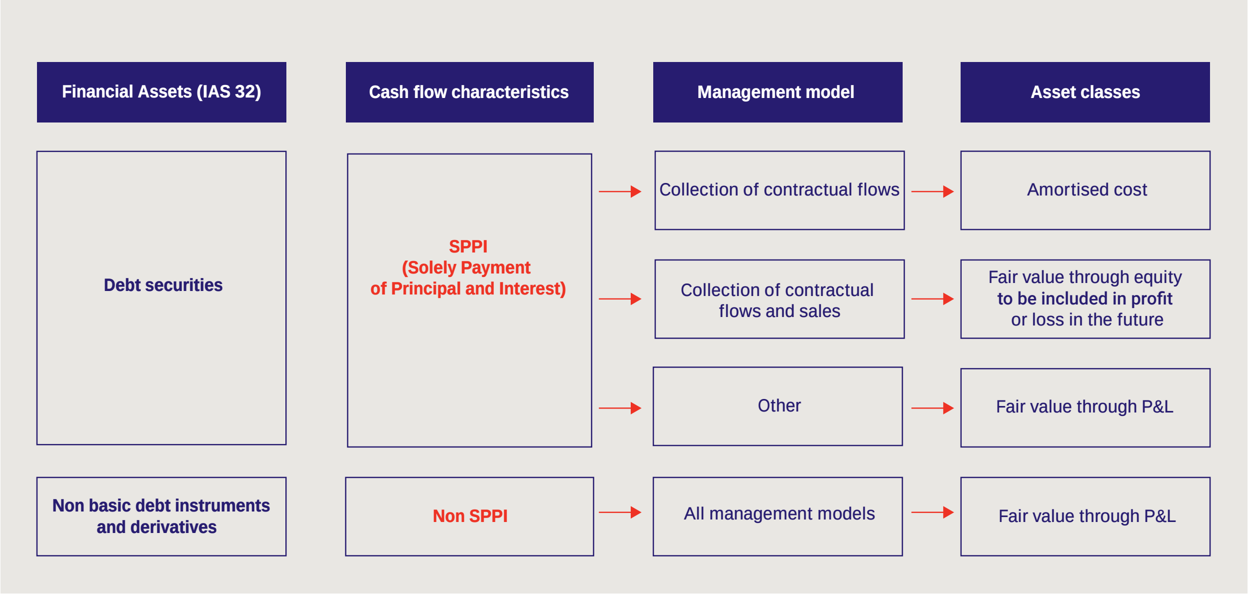
The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

- 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 model, including 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:



a) Debt securities 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 booked at market value plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever an event of default occurs after the grant of the loan, having an impact on future projected asset cash flows and therefore likely to generate a 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 or 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 or loss

This category includes debt securities that do not pass the SPPI test:

- equity investments in investment funds and direct equity investments with put options and other debt securities (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, AFD Group has identified a loan portfolio which is measured at fair value through profit or 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 or loss. However, the option remains of designating equity instruments at fair value through equity reported outside profit or 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 dividends that do not represent the recovery of part of the investment cost are recognised in profit or loss under "net gains or losses on financial assets at fair value through equity";
- changes in the fair value of the instrument are only recognised in equity and are not subsequently transferred to profit or loss. Therefore, if the investment is sold, no gain or loss is recognised in profit or 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 business model for financial assets reflects changes to the way the business and its systems, etc. are managed operationally (e.g. acquisition or winding up of a business). In accounting terms, this means a reclassification of all financial assets in the portfolio once the new business model takes effect.

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 for which fair value through profit or loss is required or has been chosen are measured at fair value and changes in fair value have an offsetting entry in profit or loss;
- 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 or loss option are measured at fair value and changes in fair value have an offsetting entry in profit or loss. The effect of the remeasurement of own credit risk is recognised directly in equity reported outside profit or loss.

It is still necessary to separate embedded derivatives from financial liabilities, where applicable.

Financial liabilities within AFD Group (excluding derivative instruments) are measured at amortised cost and correspond to:

- debt securities in issue, which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest 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;
- in 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10 year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and per the third stage of additional financing of €280M, there was a drawdown of €160M on this last tranche of RCS (Resources with special conditions) in September 2017. The balance of €120M was drawn down in September 2018, reaching the total amount of €840M for the period 2015-2018.

Derecognition of financial assets and liabilities

AFD Group derecognises all or part of a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- AFD transfers the contractual rights to receive the cash flows of the financial asset, and transfers substantially all the risks and rewards of ownership of that asset; or
- AFD retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more 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.

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 or loss as an adjustment to the interest expense account corresponding to the derecognised financial liability.

Hedging derivatives

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

If the hedge does not meet the effectiveness requirements of IAS 39, the hedging derivatives are transferred to "Financial assets at fair value through profit and loss" or to "Financial liabilities at fair value through profit and loss" and recorded in accordance with the principles applicable to this category.

As for non-zero value swaps involved in a fair value hedge, the accumulated total of changes in fair value of the hedged component that are not zero is spread out over the remaining term of hedged items.

Impairment of financial assets at amortised cost and at fair value through equity

In accordance with IFRS 9, the credit risk impairment model is based on 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 or loss in the future, as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

General principle

AFD Group classifies financial assets into 3 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: "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: performing assets for which a significant increase in credit risk has been observed since their initial recognition. 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 transition to stage 3 (defined as "incurred loss" in IAS 39) is linked to the concept 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 AFD Group, "stage 3" under IFRS 9 is characterised by a combination of the following criteria:

definition of "doubtful third party" for the purposes of AFD Group;

use of the principle of default contagion.

Third parties that are more than 90 days past due (180 days for local authorities) or that pose a known credit risk (financial difficulties, financial restructuring, etc.) are downgraded to "doubtful". The contagion effect means that all exposures of the third party concerned are also classified as doubtful.

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 historical data, information about the current economic climate, and 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 or 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.

Measurement of expected credit losses (ECL)

Expected credit losses are defined as a probable estimate of the discounted credit losses weighted by the probability of occurrence of those losses over the coming year or over the lifetime of the assets, 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 probability of default is used to model the probability that a contract will default over a given time horizon. This probability is modelled:

- based on risk segmentation criteria;
- over a 12-month horizon (12-month PD) for the calculation of the expected loss of stage 1 assets; and
- on all asset payment maturities associated with stage 2 (Maturity PD or Lifetime PD Curve).

Given that it makes relatively few loans, and that some of its portfolios are "low-default portfolios", AFD Group 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 adopted an approach based on rating transitions and probabilities of default published by rating agencies. Restatements may be necessary on external transition matrices in order to correct irregularities which could have an impact on the consistency of the probabilities of default calculated from those external matrices.

Loss given default (LGD)

Loss given default (LGD) is modelled for the assets of the different stages. AFD Group includes the collateral valuation in its LGD modelling.

To take into account AFD's business model and recovery capacity, AFD Group now relies on internally modelled recovery data based on doubtful portfolio coverage rates and factoring in a prospective recovery level.

Exposure at default (EAD):

Exposure at default corresponds to the residual amount forecast by the debtor at the time of default. It must therefore take into account future cash flows and forward-looking items. As such, EAD includes:

- the contractual amortisation of the principal;
- drawdown from lines recognised in the 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 contract 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 or loss is recognised under this item and consists essentially of:

- dividends, other income and realised gains and losses;
- changes in fair value;
- impact of hedge accounting.

Gains and losses on financial instruments at fair value through equity

Income from financial instruments recognised at fair value through equity is recognised under this item and includes:

- dividends and other income;
- gains and losses realised on financial assets at fair value through equity to be included in profit or loss in the future.

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.

These optional buy-back commitments received the following accounting treatment in 2018:

- in application of IAS 32, the Group recorded a debt for put options awarded to shareholders. This liability of €187.8M was initially booked at the present value of the strike price estimated on the exercise date, classified in "Other liabilities";
- consequently, the corresponding entry for this liability is deducted from "minority interests" in the amount of €177.4M, i.e. a proportionate share of Proparco's underlying net assets valued at 31 December 2018, with the remainder deducted from "Consolidated reserves, Group share", i.e. -€10.4M;
- if the buyback is carried out, the liability will be settled by cash payment linked to the acquisition of minority interests. However if the buyback has not occurred when the commitment reaches its term, the liability is offset against the minority interests and the Group's consolidated reserves.

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 head office.

Depreciation periods have been estimated on the basis of each item's useful life.

Title		Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

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

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

As for intangible assets, software is amortised according to type: 8 years for enterprise resource planning systems and 2 years for office automation tools.

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

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.

This reserve account is intended to (i) fund the provisions that AFD would have to recognise in case a sovereign borrower defaults, (ii) serve normal unpaid interest and (iii) more generally, help compensate AFD in the event of debt cancellation for sovereign loans.

The balance of this account cannot be less than the amount required 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 completion, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the risk profile of the sovereign loan portfolio).

Doubtful sovereign debts are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

Provisions for financing and guarantee commitments

Financing and guarantee commitments that are not recognised at fair value through profit or 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: 0.50%;
- 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: 2.00%;
- 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).

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

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

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

Therefore, equalisation provisions on 31 December 2018:

- amount to €17.1M in the income statement and are recognised as staff costs; they represent the sum of the cost of services rendered plus the interest cost for 2018 less benefits paid by the employer over the period;
- appear on the balance sheet as items that cannot be recycled to profit or loss and amount to a gain of €2.0M arising from the measurement of commitments as at 31 December 2018 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 carrying amount of assets and liabilities and their tax base.

AFD Group recognises deferred tax mainly on unrealised gains or losses on equity securities held by Proparco and Fisea, impairments recognised by Proparco on loans at amortised cost, and unrealised gains or losses on loans recognised at fair value through profit or loss by applying 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 subsidy activity, based on the information provided internally to the Chief Executive Officer, who is AFD's chief operational decision-maker.

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

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 Impact of the initial application of IFRS 9

In thousands of euros	31/12/2017 IAS 39	Impact of application of IFRS 9				01/01/2018 IFRS 9
		Restatements	Adjustments		Initial measurement of healthcare plans for staff working overseas	
			Classification and measurement of financial instruments	Impairments for credit risk		
Central banks	**1,016,778**					**1,016,778**
Financial assets at fair value through profit and loss	**180,095**	**2,562,351**	**-18,401**			**2,715,368**
Financial assets at fair value through profit and loss on option	24,567	-24,567				-
Hedging derivatives	146,851	104,307				251,158
Debt securities that do not meet the SPPI criteria		2,482,611	-18,401			2,464,210
Securities at fair value through P&L	8,676	-8,676				-
Hedging derivatives	**1,679,788**	**-104,307**				**1,575,481**
Available-for-sale financial assets	**3,016,003**	**-3,016,003**				**-**
Financial assets at fair value through equity		**1,504,971**	**107**			**1,505,078**
Securities at amortised cost		**843,527**				**843,527**
Loans and receivables due from credit institutions and equivalent at amortised cost	**6,613,638**	**-236,191**	**7,573**	**31,694**		**6,416,714**
Demand	1,260,143					1,260,143
Term	5,353,495	-236,191	7,573	31,694		5,156,571
Loans and receivables due from customers at amortised cost	**25,437,510**	**-767,489**	**25,810**	**164,976**		**24,860,806**
Other loans to customers	25,437,510	-767,489	25,810	164,976		24,860,806
Revaluation differences on interest rate-hedged portfolio	1,166					1,166
Held-to-maturity financial assets	**778,182**	**-778,182**				**-**
Deferred tax assets	**22,683**		**3,212**	**-7,591**		**18,304**
Accruals and other miscellaneous assets	**599,443**					**599,443**
Accruals	53,335					53,335
Other assets	546,107					546,107
Equity stakes in companies accounted for by the equity method	**146,156**					**146,156**
Property, plant and equipment	**194,190**					**194,190**
Intangible assets	**31,822**					**31,822**
TOTAL ASSETS	**39,717,454**	**-**	**18,301**	**189,079**		**39,924,834**

		Impact of application of IFRS 9				
			Adjustments			
In thousands of euros	31/12/2017 IAS 39	Restatements	Classification and measurement of financial instruments	Impairments for credit risk	Initial measurement of healthcare plans for staff working overseas	01/01/2018 IFRS 9
Central banks	**76**					**76**
Financial liabilities at fair value through profit and loss	**266,205**					**266,205**
Hedging derivatives	**1,057,272**					**1,057,272**
Debt securities in issue at amortised cost	**29,613,863**					**29,613,863**
Interbank market securities	679,787					679,787
Bonds	28,214,071					28,214,071
Subordinated debt	720,005					720,005
Debts to credit institutions and equivalent at amortised cost		**17,060**				
Demand	16,416					16,416
Term	644					644
Debts to customers at amortised cost	**2,187**					**2,187**
Deferred tax liabilities	**6,345**		**2,110**			**8,455**
Accruals and other miscellaneous liabilities	**1,811,741**					**1,811,741**
Allocated public funds	69,776					69,776
Other liabilities	1,741,964					1,741,964
Provisions	**849,211**			**63,249**	**9,036**	**921,496**
Equity Group share	**5,798,892**		**15,800**	**124,344**	**-9,036**	**5,930,000**
Provisions and related retained earnings	3,267,999					3,267,999
Consolidated retained earnings and other	2,069,707		73,102	124,344	-9,036	2,258,117
Gains and losses directly recognised in equity	148,381		-57,302			91,079
Earnings for the period	312,805					312,805
Minority interests	**294,602**		**390**	**1,485**		**296,477**
TOTAL LIABILITIES	**39,717,454**	**-**	**18,301**	**189,079**	**-**	**39,924,834**

The main effects of the application of the first part of IFRS 9 ("classification and measurement") at 1 January 2018 were as follows:

RECLASSIFICATION OF AVAILABLE-FOR-SALE AND HELD-TO-MATURITY FINANCIAL ASSETS

Available-for-sale financial assets have been reclassified primarily to:

- debt securities recognised at fair value through profit or loss for €1,446M and corresponding to units held in collective investment funds (investment funds, UCITS, etc.), equity securities with embedded put options and convertible bonds whose contractual flows are not SPPI;
- debt securities recognised at fair value through equity to be included in profit or loss in the future, amounting to €1,126M and relating to debt securities held for cash management purposes. The contractual flows of these securities are SPPI but their business model involves frequent sales;
- equity instruments for which the Group has chosen to opt for recognition at fair value through equity to be reported outside profit or loss for €452M, which concern direct equity investments held by AFD Group;
- debt securities at amortised cost for €65M, which are mainly grouped within a portfolio of securities held as collateral.

Held-to-maturity financial assets

This category included fixed income securities with a fixed maturity, which AFD had the intention and the ability to hold to maturity.

These are debt securities whose contractual flows are SPPI in nature and which are held to collect the contractual flows. They have therefore been classified as debt securities at amortised cost.

RECLASSIFICATION OF OUTSTANDING LOANS AND NON-SPPI RECEIVABLES

Most of the loans and receivables due from credit institutions and customers are eligible for classification at amortised cost under IFRS 9, except for one loan portfolio whose contractual flows are not SPPI. These are loans whose early repayment flows do not only reflect the effect of changes in reference interest rates.

The outstandings have therefore been reclassified to financial assets at fair value through profit or loss for €1,028M and correspond to 3.3% of the Group's outstanding loans at 1 January 2018.

OTHER RECLASSIFICATIONS

A zero-interest loan was recognised using the fair value option under IAS 39. After analysing the characteristics of the contractual flows and taking into account the "hold to collect" business model used for "loans and receivables" portfolios, this loan was reclassified at amortised cost for €25M.

Hedging derivatives for which the hedged items have been reclassified under "financial assets at fair value through profit or loss" have been excluded from the scope of transactions eligible for hedge accounting and reclassified to derivative instruments at fair value through profit or loss for €104M.

RECLASSIFICATION ADJUSTMENTS

Reclassification adjustments are limited and mainly relate to the adjustment to fair value of loans recognised at fair value through profit or loss, of which €13M relates to the de-designation of derivative instruments recognised in hedge accounting and €3M to the fair value adjustment of loans.

VALUE ADJUSTMENTS RELATING TO IMPAIRMENTS AND PROVISIONS FOR CREDIT RISK

The application of the second part of IFRS 9 ("impairment") on 1 January 2018 led to the downward adjustment of impairments and provisions for credit risk on loans recognised at amortised cost for €134M.

Transition of the balance sheet from 31 December 2017 to 1 January 2018

Financial assets (gross value)

		31/12/2017			
In thousands of euros		Balance sheet value under IAS 39	Central banks	Hedging derivatives	Equity securities
IAS 39	Central banks	1,016,778	1,016,778		
	Financial assets at fair value through profit and loss	180,095			
	Financial assets at fair value through profit and loss on option[(1)]	24,567			
	Hedging derivatives	146,851			
	Securities at fair value through P&L	8,676			
	Available-for-sale financial assets	3,089,387			
	Hedging derivatives	1,679,788		1,575,481	
	Loans and receivables due from credit institutions	6,737,105			
	Loans and receivables due from customers	26,139,615			
	Held-to-maturity securities	778,182			
	Balance under IAS 39	**39,620,950**	**1,016,778**	**1,575,481**	-
01/01/2018	**Restatement of book value under IFRS 9**				
	Balance under IFRS 9		**1,016,778**	**1,575,481**	

(1) Interest-free loans.

01/01/2018							
Restatements under IFRS 9							
Financial assets at fair value through profit and loss			Financial assets at fair value through equity		Debt securities recorded at amortised cost		
Debt securities that do not meet the SPPI criteria	Derivatives at fair value through profit and loss	Hedging derivatives	Debt securities recognised at fair value through equity to be recycled in profit or loss	Equity securities recorded at fair value through equity not to be recycled in profit or loss	Loans and receivables due from credit institutions	Loans and receivables due from customers	Debt securities
8,676		146,851				24,567	
						24,567	
		146,851					
8,676							
1,445,687			1,125,966	452,389			65,345
	104,307						
236,191					6,500,914		
792,057						25,347,559	
							778,182
2,482,611	**104,307**	**146,851**	**1,125,966**	**452,389**	**6,500,914**	**25,372,126**	**843,527**
2,676			**107**		**-687**	**12,993**	
2,485,288	**104,307**	**146,851**	**1,126,073**	**452,389**	**6,500,226**	**25,385,119**	**843,527**

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Financial assets (net value)

		31/12/2017			
In thousands of euros		Balance sheet value under IAS 39	Central banks	Hedging derivatives	Equity securities
IAS 39	Central banks	1,016,778	1,016,778		
	Financial assets at fair value through profit and loss	180,095			
	Financial assets at fair value through profit and loss on option(1)	24,567			
	Hedging derivatives	146,851			
	Securities at fair value through P&L	8,676			
	Available-for-sale financial assets	3,016,003			
	Hedging derivatives	1,679,788		1,575,481	
	Loans and receivables due from credit institutions	6,613,638			
	Loans and receivables due from customers	25,437,510			
	Held-to-maturity securities	778,182			
	Balance under IAS 39	**38,721,994**	**1,016,778**	**1,575,481**	
01/01/2018	**Restatement of book value under IFRS 9**				
	Balance under IFRS 9		**1,016,778**	**1,575,481**	

(1) Interest-free loans.

01/01/2018							
Restatements under IFRS 9							
Financial assets at fair value through profit and loss			Financial assets at fair value through equity		Debt securities recorded at amortised cost		
Debt securities that do not meet the SPPI criteria	Derivatives at fair value through profit and loss	Hedging derivatives	Debt securities recognised at fair value through equity to be recycled in profit or loss	Equity securities recorded at fair value through equity not to be recycled in profit or loss	Loans and receivables due from credit institutions	Loans and receivables due from customers	Debt securities
8,676		146,851				24,567	
						24,567	
		146,851					
8,676							
1,445,687			1,125,966	379,005			65,345
	104,307						
227,930					6,417,402		
779,240						24,823,246	
							778,182
2,461,534	**104,307**	**146,851**	**1,125,966**	**379,005**	**6,417,402**	**24,847,813**	**843,527**
2,676			**107**		**-687**	**12,993**	
2,464,210	**104,307**	**146,851**	**1,126,073**	**379,005**	**6,416,714**	**24,860,806**	**843,527**

Financial liabilities

		31/12/2017	01/01/2018			
			Reclassements au titre d'IFRS 9			
			Passifs financiers à la juste valeur par résultat	Financial liabilities recorded at amortised cost		
In thousands of euros		Balance sheet value under IAS 39	Hedging derivatives	Debts to credit institutions	Debts to customers	Debt securities in issue
IAS 39 31/12/2017	Financial liabilities at fair value through profit and loss	266,205	266,205			
	Hedging derivatives	*266,205*	266,205			
	Debts to credit institutions	17,060		17,060		
	Debts to customers	2,187			2,187	
	Debt securities in issue	28,893,858				28,893,858
	Balance under IAS 39	**29,179,310**	**266,205**	**17,060**	**2,187**	**28,893,858**
01/01/2018	**Restatement of book value under IFRS 9**					
	Balance under IFRS 9		**266,205**	**17,060**	**2,187**	**28,893,858**

Transition between impairments or provisions established under IAS 39 and loss allowances under IFRS 9

Following the application of IFRS 9 on 1 January 2018, the provisioning arrangements have changed significantly. The provisioning methodology applicable at 1 January 2018 is described in the paragraph on financial instruments in the section on accounting rules and policies. The following table presents the transition from impairments or provisions for liabilities recognised at 31 December 2017 under IAS 39 towards the amount of the loss allowance recognised at 1 January 2018 under IFRS 9:

Transition of impairments on financial assets

In thousands of euros		31/12/2017 IAS 39 – Impairment amount	Financial assets at fair value through profit and loss Equity securities	 Debt securities that do not meet the SPPI criteria	 Financial assets at fair value through profit and loss on option
Impairments under IAS 39	Central banks				
	Financial assets available for sale	73,383			
	Loans and receivables due from credit institutions	123,467		8,261	
	Loans and receivables due from customers	702,105		12,816	
	Held-to-maturity securities				
	Impairment balances under IAS 39	**898,956**		**21,077**	
	Restatements of impairment under IFRS 9				
	Of assets restated from available-for-sale assets under IAS 39				
	Of assets restated from loans and receivables under IAS 39				
	Of which assets restated from held-to-maturity securities under IAS 39				
01/01/2018	**Impairment balances under the provisions of IFRS 9**			**21,077**	

Transition of provisions on guarantee and financing commitments

In thousands of euros	31/12/2017 IAS 39 – Provision amount	Restatements of provisions under IFRS 9	01/01/2018 IFRS 9 - Provision amount
Financing commitments		61,427	61,427
• to credit institutions		43,444	43,444
• to customers		17,982	17,982
Guarantee commitments	13,372	1,823	15,195
• ARIZ guarantees	13,372	563	13,935
• other guarantees given		1,260	1,260
PROVISIONS BALANCE	**13,372**	**63,249**	**76,621**

01/01/2018				
Restatements of impairment amounts				
Financial assets at fair value through equity		Debt securities recorded at amortised cost		
Debt securities recognised at fair value through equity to be recycled in profit or loss	Equity securities recorded at fair value through equity not to be recycled in profit or loss	Loans and receivables due from credit institutions	Loans and receivables due from customers	Debt securities
	73,383			
		115,206		
			689,289	
	73,383	**115,206**	**689,289**	
	-73,383			
		-31,694	-164,976	
	0	**83,512**	**524,313**	

The transition from impairments on financial assets and provisions on financing and guarantee commitments between 31 December 2017 under IAS 39 and 1 January 2018 under IFRS 9 is presented below:

In thousands of euros	Balance at 31/12/2017 IAS 39				
	Individual provisions	Collective provisions	Total	Restatements	Adjustment of impairment and provisions as per IFRS 9
Impairments of financial assets at amortised cost	**459,598**	**365,974**	**825,572**	**- 21,077**	**- 196,670**
• Loans and receivables due from credit institutions	46,749	76,718	123,467	- 8,261	- 31,694
• Loans and receivables due from customers	412,850	289,256	702,105	- 12,817	- 164,976
Impairments of financial assets at fair value through equity	**-**	**-**	**-**	**-**	**-**
Provisions for off-balance sheet commitments	**13,372**	**-**	**13,372**	**-**	**63,249**
Financing commitments					**61,427**
• to credit institutions					43,444
• to customers					17,982
Guarantee commitments		**13,372**	**13,372**		**1,823**
• ARIZ guarantees		13,372	13,372		563
• other guarantees given					1,260
TOTAL	**472,970**	**365,974**	**838,944**	**- 21,077**	**- 133,420**

* *The method used to estimate individual impairments was not impacted by the first application of IFRS 9. Individual impairments at 1 January are given including the impact of the first application of IFRS 9 restating non-SPPI loans at fair value through profit and loss.*

Balance at 01/01/2018 IFRS 9			
Stage 1	Stage 2	Stage 3*	Total
15,703	**153,601**	**438,521**	**607,825**
5,864	39,160	38,488	83,512
9,839	114,441	400,033	524,313
-	-	-	-
8,112	**68,509**	-	**76,621**
6,852	**54,575**		**61,427**
1,571	16,411		17,982
5,281	38,163		43,444
1,260	**13,935**		**15,195**
	13,935		13,935
1,260			1,260
23,815	**222,111**	**438,521**	**684,446**

6.2.5 Notes to the financial statements at 31 December 2018

Comparative data at 31 December 2017 and the accounting principles applied to these comparative data are available in the Group's consolidated financial statements at 31 December 2017.

For financial instruments, the comparative data for the 2017 financial year presented against the 2018 data remain in accordance with the provisions of IAS 39.

The reclassifications and value adjustments relating to the initial application of IFRS 9 were presented in part 6.2.4 above ("Impact of the initial application of IFRS 9").

SUMMARY OF THE NOTES

6.2.5.1 Notes to the Balance Sheet

NOTE 1 Financial assets and liabilities at fair value through profit and loss

		31/12/2018			01/01/2018			31/12/2017		
In thousands of euros	Notes	Assets	Liabilities	Notional/ Outstanding	Assets	Liabilities	Notional/ Outstanding	Assets	Liabilities	Notional/ Outstanding
Interest rate derivatives	1.1	2,827	12,576	603,387	3,003	15,024	753,071	3,003	15,024	753,071
Foreign exchange derivatives	1.1	81,970	320,503	4,914,717	143,622	245,975	4,775,646	143,622	245,975	4,775,646
Derivatives at fair value through profit or loss		115,914		1,091,157	104,307	-	967,246	-	-	-
Assets/liabilities designated at fair value on option					-	-	-	24,567	-	25,000
Securities at fair value through P&L					-	-	-	8,676	-	6,890
Debt securities that do not meet the SPPI criteria	1.2	2,212,564		2,129,819	2,464,210	-	2,477,987			
CVA/DVA		112	6,080	-	226	5,207	-	226	5,207	-
TOTAL		**2,413,386**	**339,159**	**8,739,079**	**2,715,368**	**266,205**	**8,973,949**	**180,095**	**266,205**	**5,560,606**

Note 1.1 Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives are measured at fair value through profit or 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	31/12/2018	Notional/ Outstanding	01/01/2018	Notional/ Outstanding
Loans to credit institutions	**1.2.1**	**361,640**	**372,405**	**228,979**	**236,191**
Performing loans		361,191		228,900	
Doubtful outstandings		449		79	
Loans to customers	**1.2.1**	**771,407**	**806,755**	**780,855**	**792,057**
Performing loans		770,131		779,625	
Doubtful outstandings		1,276		1,230	
Title		**1,079,517**	**950,658**	**1,454,376**	**1,449,739**
Bonds and other fixed-income securities	1.2.2	106,340	16,723	28,476	28,464
UCITS		50,200	41,054	549,479	539,588
Equity stakes and other long-term securities	1.2.3	922,978	892,881	876,420	881,688
Of which equity stakes held via investment funds		787,096	773,883	777,487	760,433
Of which equity stakes held directly with a put option		135,882	118,998	98,933	121,255
TOTAL		**2,212,564**	**2,129,819**	**2,464,210**	**2,477,987**

Note 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, AFD Group has identified a loan portfolio which is measured at fair value through profit or 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.

Note 1.2.2 Bonds and other long-term securities

Convertible bonds 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 or loss.

Note 1.2.3 Equity investments

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

AFD Group also holds direct 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 or loss.

Investments in unconsolidated structured entities

Breakdown by activity portfolio:

Equity stakes held in investment funds	Number of equity stakes	31/12/2018
Homogeneous activity portfolios		
Agribusiness	9	71,664
Energy	5	34,452
Infrastructure	6	62,889
Mining	3	2,557
Multi-sector SME-SMI	12	70,852
Healthcare	4	33,492
Financial services	18	156,697
Multi-sector	68	362,333
STRUCTURED UNCONSOLIDATED ENTITIES	**125**	**794,935**

Breakdown by operating region:

Equity stakes held in investment funds	Number of equity stakes	31/12/2018
Operating region		
Southern Africa	6	7,319
East Africa	9	53,766
West Africa	6	21,537
North Africa	21	101,141
Asia	19	106,599
Multiple regions	64	504,573
STRUCTURED UNCONSOLIDATED ENTITIES	**125**	**794,935**

Investments in unconsolidated structured entities – Risk exposure and dividends received

In thousands of euros	31/12/2018 Available-for-sale financial assets	Maximum exposure	Dividends received over the year
Homogeneous portfolios			
Agribusiness	71,664	71,664	
Energy	34,452	34,452	
Infrastructure	62,889	62,889	
Mining	2,557	2,557	
Multi-sector SME-SMI	70,852	70,852	
Healthcare	33,492	33,492	
Financial services	156,697	156,697	
Multi-sector	362,333	362,333	
STRUCTURED UNCONSOLIDATED ENTITIES – INVESTMENT FUNDS	**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 closing date. This amount includes financing commitments that have not yet been disbursed.

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

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

Note 1.3 Equity instruments at fair value through profit or loss

Equity instruments measured at fair value through profit or loss correspond to equity investments held by AFD for which the Group has not opted for classification at fair value through equity to be reported outside profit or loss.

At 31 December 2018, the Group opted to classify at fair value through equity the entire portfolio of direct equity investments without a put option, which constitutes the majority of the Group's equity instruments.

NOTE 2 Financial hedging derivatives

Note 2.1 – Fair value hedging instruments

In thousands of euros	31/12/2018			01/01/2018			31/12/2017		
	Book value			Book value			Book value		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging									
Interest rate derivatives	1,170,325	528,955	35,364,382	1,122,969	600,522	31,049,769	1,123,766	600,522	31,067,196
Interest rate and foreign exchange derivatives (cross-currency swaps)	653,914	411,385	10,092,654	452,512	456,750	8,387,733	556,022	456,750	9,337,552
TOTAL	**1,824,239**	**940,339**	**45,457,037**	**1,575,481**	**1,057,272**	**39,437,503**	**1,679,788**	**1,057,272**	**40,404,748**

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	31/12/2018
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**

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2017
Fair value hedging					
Interest rate derivatives	1,342,558	565,029	6,486,484	22,673,125	31,067,196
Interest rate and foreign exchange derivatives (cross-currency swaps)	-	514,331	4,122,560	4,700,662	9,337,552
TOTAL	**1,342,558**	**1,079,359**	**10,609,044**	**27,373,787**	**40,404,748**

Note 2.3 – Hedged items

	31/12/2018				
	Current hedges		Expired hedges		
In thousands of euros	Book value	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
Interest rate derivatives	**12,924,185**	**403,822**		**-16,580**	**42,569**
Loans and receivables due from credit institutions at amortised cost	936,350	20,663		338	250
Loans and receivables due from customers at amortised cost	10,938,049	378,043		-3,529	31,089
Financial assets at fair value through equity	1,049,787	5,115		-13,390	11,229
Interest rate and exchange (currency swap hedges)	**4,437,663**	**203,136**		**6,678**	**124,229**
Loans and receivables due from credit institutions at amortised cost	336,027	3,915		3,913	11,671
Loans and receivables due from customers at amortised cost	4,101,636	199,221		2,765	112,558
Total fair value hedging of assets	**17,361,848**	**606,958**	**-**	**-9,902**	**166,798**
Interest rate derivatives	**-22,915,919**	**-957,671**	**12,963**	**-18,217**	**-151,832**
Debt securities in issue at amortised cost	-22,915,919	-957,671	12,963	-18,217	-151,832
Interest rate and exchange (currency swap hedges)	**-5,703,645**	**-363,883**	**-**	**18,913**	**-326,229**
Debt securities in issue at amortised cost	-5,703,645	-363,883	-	18,913	-326,229
TOTAL FAIR VALUE HEDGING OF LIABILITIES	**-28,619,564**	**-1,321,553**	**12,963**	**697**	**-478,061**

Note 2.4 – Income resulting from hedge accounting

	31/12/2018			31/12/2017		
	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*	Ineffective portion of hedge	Change in fair value of hedging instruments*	Change in fair value of hedged items*	Ineffective portion of hedge
Interest rate derivatives	148,576	109 263	39 313	-140,360	157,064	16,704
Interest rate and foreign exchange derivatives (cross-currency swaps)	193,032	202 000	8968	-28,795	46,911	18,117
Other						
TOTAL	**341,608**	**-311,263**	**30,344**	**-169,155**	**203,976**	**34,821**

* *Including expired hedges.*

NOTE 3 Financial assets at fair value through equity

In thousands of euros	31/12/2018 Book value	31/12/2018 Change in fair value over the period	01/01/2018 Book value	01/01/2018 Change in fair value over the period
Debt securities recognised at fair value through equity to be recycled in profit or loss	**1,067,532**	**-20,813**	**1,126,073**	**-**
Government paper and equivalent	891,791	-21,329	1,079,492	-
Bonds and other securities	175,742	517	46,581	-
Equity securities recorded at fair value through equity not to be recycled in profit or loss	**397,163**	**-21,137**	**379,005**	**-**
Unconsolidated equity stakes	397,163	-21,137	379,005	-
TOTAL	**1,464,695**	**-41,950**	**1,505,078**	**-**

* *Not applicable at 1 January 2018.*

In thousands of euros	**31/12/2017***
Financial assets available for sale	
Government paper and equivalent	1,144,730
Bonds and other fixed-income securities	75,045
Equity stakes and other long-term securities	1,796,228
of which UCITS	549,479
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**3,016,003**

* *Available-for-sale financial assets were reclassified in the amount of €1,446M to financial assets measured at fair value through equity, of €1,505M to financial assets measured at fair value through profit and loss, and of €65M to debt securities at amortised cost.*

NOTE 4 Financial assets and liabilities at fair value according to the fair value level

	31/12/2018				31/12/2017			
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	1,047	-	921,931	922,978				
Debt securities that do not meet the SPPI criteria	50,200	-	1,239,386	1,289,586				
Financial assets recorded through equity	1,067,532	-	397,163	1,464,695				
Hedging derivatives (Assets)	-	1,824,239	-	1,824,239		1,679,788		1,679,788
Financial liabilities at fair value through profit and loss	-	338,316	842	339,159		265,334	872	266,205
Hedging derivatives (Liabilities)	-	940,339	-	940,339		1,057,272		1,057,272
Derivatives	-	192,623	8,200	200,823				
Financial assets at fair value through profit and loss	-	-	-	-		172,946	7,149	180,095
Financial assets available for sale	-	-	-	-	1,802,537	-	1,213,466	3,016,003

- 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

		31/12/2018		01/01/2018	
In thousands of euros	Notes	Demand	Term	Demand	Term
Debt securities at amortised cost	5.1		1,301,006		843,527
Loans and receivables due from credit institutions	5.2	1,908,646	5,213,378	1,260,143	5,156,571
Loans and receivables due from customers	5.2		26,485,764		24,860,806
TOTAL		**1,908,646**	**33,000,148**	**1,260,143**	**30,860,904**

Note 5.1 Debt securities at amortised cost

	31/12/2018		01/01/2018	
In thousands of euros	Demand	Term	Demand	Term
Government paper and equivalent	-	747,500	-	678,973
Bonds and other securities	-	553,505	-	164,554
TOTAL	**-**	**1,301,006**		**843,527**
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.*

In thousands of euros	31/12/2017
Held-to-maturity financial assets	
Government paper and equivalent	678,973
Bonds and other fixed-income securities	99,209
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	**778,182**

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

	31/12/2018		01/01/2018		31/12/2017	
In thousands of euros	Demand	Term	Demand	Term	Demand	Term
Loans to credit institutions at amortised cost		**5,170,625**		**4,785,334**		**5,019,760**
Performing loans		5,098,375		4,724,104		4,950,190
Doubtful outstandings		72,250		61,229		69,569
Impairments		**-87,524**		**-83,512**		**-123,467**
Related receivables		**26,895**		**26,827**		**28,852**
Valuation adjustments of loans hedged by forward financial instruments		**24,578**		**12,851**		**13,279**
Subtotal		**5,134,574**		**4,741,500**		**4,938,423**
Loans to customers at amortised cost		**26,415,356**		**24,912,062**		**25,724,551**
Performing loans		25,586,690		24,234,419		25,032,861
Doubtful outstandings		828,667		677,643		691,690
Impairments		**-576,125**		**-524,313**		**-702,105**
Related receivables		**61,625**		**66,762**		**78,779**
Valuation adjustments of loans hedged by forward financial instruments		**584,907**		**406,296**		**336,285**
Subtotal		**26,485,764**		**24,860,806**		**25,437,510**
TOTAL LOANS AT AMORTISED COST		**31,620,338**		**29,602,306**		**30,375,933**
Other receivables at amortised cost						
Deposits (available cash) at credit institutions	1,908,646	78,553	1,260,143	414,197	1,260,143	414,197
Related receivables		252		875	-	875
TOTAL OTHER RECEIVABLES AT AMORTISED COST	**1,908,646**	**78,804**	**1,260,143**	**415,072**	**1,260,143**	**415,072**
TOTAL LOANS AND OTHER RECEIVABLES AT AMORTISED COST	**1,908,646**	**31,699,142**	**1,260,143**	**30,017,378**	**1,260,143**	**30,791,005**

NOTE 6 Accruals and sundry assets and liabilities

	31/12/2018		31/12/2017	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Guarantees against collateral	386,833	956,716	498,763	885,640
Allocated public funds		69,530		69,776
Other assets and liabilities	65,575	1,012,753	100,679	772,402
Accounts payable, French State		37,824		83,922
TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/LIABILITIES	**452,408**	**2,076,824**	**599,443**	**1,811,741**

NOTE 7 Property, plant and equipment and intangible assets

In thousands of euros	Property, plant and equipment			Intangible assets	Total 31/12/2018	Total 31/12/2017
	Land & development	Buildings & development	Other			
Gross value						
At opening	88,589	214,208	54,019	78,347	435,163	416,595
Purchases	111	6,597	8,206	16,498	31,412	27,837
Disposals/retirements	-	-162	-1,571	-287	-2,020	-9,268
Other items	6	-4	-2	-	-	-
Change in scope	-	-	-	-	-	
At closing	**88,706**	**220,639**	**60,652**	**94,558**	**464,555**	**435,165**
Depreciation/amortisation						
At opening	2,762	120,703	39,161	46,525	209,151	197,671
Provisions	206	8,875	4,492	8,991	22,564	20,490
Reversals	-	-83	-1,160	-2	-1,244	-1
Other items	-	-	-	-	-	-9,008
Change in scope	-	-	-	-	-	-
At closing	**2,968**	**129,496**	**42,494**	**55,515**	**230,473**	**209,153**
Impairments						
At opening	-	-	-	-	-	-
Provisions					-	-
Reversals					-	-
At closing	**-**	**-**	**-**	**-**	**-**	**-**
NET VALUE	**85,737**	**91,142**	**18,157**	**39,043**	**234,080**	**226,012**

NOTE 8 Financial liabilities valued at amortised cost

Debts to credit institutions and customers and debt securities in issue at amortised cost

In thousands of euros	31/12/2018	31/12/2017
Debts to credit institutions at amortised cost		
Demand debts	11,139	16,416
Term debts	640	540
Related debts		104
TOTAL DEBTS TO CREDIT INSTITUTIONS AT AMORTISED COST	11,779	17,060
Debts to customers at amortised cost		
Accounts payable, customers	1,690	2,187
TOTAL DEBTS TO CUSTOMERS AT AMORTISED COST	**1,690**	**2,187**
Debt securities in issue at amortised cost		
Interbank market securities	478,458	679,787
Bonds	29,487,317	27,080,393
Related debts	353,678	315,309
Valuation adjustments of debt securities in issue hedged by derivatives	925,822	818,369
TOTAL DEBT SECURITIES IN ISSUE AT AMORTISED COST	**31,245,275**	**28,893,858**

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	31/12/2018
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**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2017
Maturity of debt securities in issue					
Bonds	2,199,148	1,119,568	11,236,807	13,658,547	28,214,071
Interbank market securities	100,045	579,742	-	-	679,787
TOTAL	**2,299,194**	**1,699,309**	**11,236,807**	**13,658,547**	**28,893,858**

Debt securities in issue

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

In thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2017
Debt securities in issue						
Bonds	21,919,413	5,776,248	107,386	345,157	65,867	28,214,071
Interbank market securities	679,787					679,787
TOTAL	**22,599,200**	**5,776,248**	**107,386**	**345,157**	**65,867**	**28,893,858**

NOTE 9 Provisions

Provisions

In thousands of euros	31/12/2017	01/01/2018	Provisions	Reversals available	Translation adjustment	31/12/2018
Included in the cost of risk						
French Overseas Department subsidiary risks	25,466	25,466	4,159	2,180	-	27,446
Other provisions for risk	45,173	108,423	28,556	18,052	-215	118,711
Subtotal	70,639	133,889	32,715	20,232	-215	146,157
Excluded from the cost of risk	-	-				
Provision for expenses – Sovereign loans	680,724	680,724	62,798	2,535	0	740,986
Staff costs	93,600	102,835	6,063	349	-	108,549
Provision for risks and expenses	4,248	4,248	3,106	1,346	-	6,008
TOTAL	**849,211**	**921,695**	**104,682**	**24,461**	**-216**	**1,001,700**

Asset impairment

In thousands of euros	31/12/2017	01/01/2018	Provisions	Reversals available	Translation adjustment	31/12/2018
Banks	46,749	38,488	-986	7,031	3,550	34,021
Credit to customers	412,850	400,033	80,662	41,265	1,753	441,184
Of which Cost of risk			76,103	46,494	5,303	
Other receivables	10,844	10,844	-	-	-	10,844
Group of homogeneous assets	365,974	169,304	72,504	53,364	-	188,445
Of which Cost of risk			72,504	53,364		
TOTAL	**836,416**	**618,669**	**152,181**	**101,660**	**5,303**	**674,493**

NOTE 10 Subordinated debt

In thousands of euros	31/12/2018	31/12/2017
Subordinated loans from the French Treasury	1,048,001	720,000
Related debts	6	5
TOTAL	**1,048,007**	**720,005**

6.2.5.2 Notes to the Income Statement

NOTE 11 Interest income and expenses by accounting category

In thousands of euros	31/12/2018
From financial assets measured at amortised cost	**763,041**
Cash and demand accounts with central banks	3,916
Loans and receivables	740,268
Debt securities	18,858
From financial assets measured at fair value through equity	**3,432**
Debt securities	3,432
From financial assets measured at fair value through profit and loss	**76,370**
Loans and receivables	76,370
Transactions with credit institutions	15,467
Transactions with customers	60,903
Interest accrued and due on hedging instruments	**643,964**
Other interest and similar income	**577**
TOTAL INTEREST INCOME	**1,487,386**
From financial liabilities measured at amortised cost	**484,950**
Financial liabilities valued at amortised cost	484,950
Interest accrued and due on hedging instruments	**654,971**
Other interest and similar expenses	**705**
TOTAL INTEREST EXPENSES	**1,140,626**

In thousands of euros	31/12/2017
Transactions with credit institutions	**289,725**
Interest on loans	288,596
Interest on short-term investments	1,129
Transactions with customers	**660,234**
Transactions involving financial instruments	**408,760**
Available-for-sale financial assets	2,942
Held-to-maturity assets	19,988
Derivatives	385,830
TOTAL INTEREST INCOME	**1,358,718**
Transactions with credit institutions	**597,564**
Transactions with customers	
Transactions involving financial instruments	**408,359**
Debt securities in issue	386,087
Subordinated debt	1,503
Derivatives	20,769
Other interest expenses	**-**
TOTAL INTEREST EXPENSES	**1,005,923**

NOTE 12 Net commissions

	31/12/2018			31/12/2017		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	0	-	0	15		15
Monitoring and investment commissions	60,413	-402	60,010	51,264	-1,238	50,026
Analysis commissions	12,109	-	12,109	16,765		16,765
Commissions on gifts and subsidies	15,488	-	15,488	13,329		13,329
Miscellaneous commissions	11,959	-637	11,322	6,376	-592	5,784
TOTAL	**99,969**	**-1,039**	**98,930**	**87,748**	**-1,830**	**85,919**

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

	31/12/2018		
In thousands of euros	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss
Financial assets and liabilities at fair value through profit and loss	-22,959		-22,959
Dividends received	7,142	-	7,142
Unrealised or realised capital gains or losses on debt securities that do not meet the SPPI criteria	21,368		21,368
Loans and hedges at fair value through profit and loss	-51,469		-51,469
Income resulting from hedge accounting	30,345	-	30,345
Change in fair value hedge	-332,212		-332,212
Change in hedged item	362,557		362,557
Natural hedging	-43,901	105	-43,796
CVA/DVA/FVA	-987	-	-987
TOTAL	**-37,503**	**105**	**-37,397**

	31/12/2017		
In thousands of euros	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency
Financial assets and liabilities at fair value through profit and loss	10,258	-6,376	3,881
Instruments at fair value on option	-1,379		-1,379
Income resulting from hedge accounting	34,823	1,075	35,898
• Change in fair value hedge	*-169,155*		*-169,155*
• Change in hedged item	*203,978*	*1,075*	*205,053*
Natural hedging	385,689	-347,500	38,189
CVA/DVA/FVA	5,845		5,845
TOTAL	**435,235**	**-352,801**	**82,434**

NOTE 14 Net gains and losses on financial instruments recognised at fair value through equity

In thousands of euros	31/12/2018
Dividends received from equity securities recorded at fair value through equity not to be recycled in profit or loss	14,308
Gains or losses on equity securities recorded at fair value through equity not to be recycled in profit or loss	-
Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss	-2,656
NET GAINS OR LOSSES ON FINANCIAL ASSETS RECORDED THROUGH EQUITY	**11,652**

In thousands of euros	31/12/2017
Income on securities	15,803
Capital gains on disposals	31,683
Capital losses on disposals	-4,906
Provisions for depreciation/amortisation	-15,570
Reversal of provisions for depreciation/amortisation	5,718
TOTAL	**32,727**

NOTE 15 Income from other activities

In thousands of euros	31/12/2018	31/12/2017
Subsidies	199,103	206,492
Other income	35,845	23,303
TOTAL	**234,948**	**229,794**

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	31/12/2018	31/12/2017
Staff costs		
Wages and bonuses	172,074	156,751
Social security expenses	71,074	64,579
Profit sharing	8,417	10,490
Taxes and similar payments on remuneration	17,187	15,435
Provisions/reversal of provisions	3,983	1,544
Rebilling banks' staff	-11,983	-13,317
TOTAL	**260,752**	**235,483**

Other administrative expenses

In thousands of euros	31/12/2018	31/12/2017
Other administrative expenses		
Taxes	9,652	2,060
of which application of IFRIC 21	-10	-199
Outside services	140,856	130,653
Rebilled expenses	-1,521	-944
TOTAL	**148,988**	**131,769**

NOTE 17 Cost of credit risk

In thousands of euros	31/12/2018
Impairments of performing assets (Stage 1) or deteriorating assets (Stage 2)	**-29,534**
Stage 1: 12-month expected credit losses	**15,519**
Debt securities recognised in equity to be recycled in profit or loss	-
Debt securities recorded at amortised cost	9,472
Signature commitments	6,047
Stage 2: lifetime expected credit losses	**-45,053**
Debt securities recognised in equity to be recycled in profit or loss	-
Debt securities recorded at amortised cost	-28,588
Signature commitments	-16,465
Impairments of impaired assets (Stage 3)	**-26,427**
Stage 3: impaired assets	**-29,609**
Debt securities recognised in equity to be recycled in profit or loss	-
Debt securities recorded at amortised cost	-21,083
Signature commitments	-8,527
Other provisions for risk	**3,183**
Net reversals of impairments and provisions	**-55,961**
Losses on bad loans and receivables not written off	-18,305
Recovery of loans and receivables	9,374
Discounts on restructured loans	-2,379
COST OF CREDIT RISK	**-67,270**

	31/12/2017		
In thousands of euros	Provisions	Reversals	Total
Collective provisions and impairment	36,569	88,226	51,658
Individual impairments of non-sovereign loans	108,106	55,465	-52,641
Losses on principal of bad loans	11,300	5	-11,295
COST OF CREDIT RISK	**155,975**	**143,696**	**-12,279**

NOTE 18 Equity-accounted companies

Impact

	31/12/2018		31/12/2017	
In thousands of euros	Balance sheet	Income	Balance sheet	Income
SIC	43,903	-693	43,555	-169
Socredo	106,202	5,208	102,601	4,765
TOTAL	**150,105**	**4,515**	**146,156**	**4,596**

NOTE 19 Corporate income tax

In thousands of euros	31/12/2018	31/12/2017
Corporate tax	**-13,227**	**-15,075**
Taxes due	-16,970	-14,811
Deferred tax	3,743	-264

In thousands of euros	31/12/2018	31/12/2017
Net income	**137,600**	**332,359**
Corporate tax	-13,227	-15,075
Pre-tax income	**150,827**	**347,434**
Total theoretical tax expense 34.43% (A)	**-82,738**	**-68,834**
Total matching items (B)	**69,511**	**53,760**
Net recorded tax expense (A) + (B)	**-13,227**	**-15,075**

Deferred taxes have been estimated on the basis of the following assumptions:

- deferred taxes based on impairments have been estimated at the following rates: 32.02% for stage 1 and 25.83% for stage 2;
- deferred taxes based on unrealised gains or losses on loans, equity investments and convertible bonds have been estimated at 32.02%.

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	31/12/2018	31/12/2017
Commitments received		
Financing commitments received from the French State	-	120,000
Guarantee commitments received from the French State on loans	611,475	786,508
Guarantee commitments received from credit institutions	458,055	479,206
as part of the Group's lending activity	458,055	479,206
Commitments given		
Financing commitments made to credit institutions	1,204,162	1,732,334
Financing commitments made to customers	10,775,968	10,257,041
Guarantee commitments made to credit institutions	74,730	82,053
Guarantee commitments made to customers	522,703	502,904
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.

6.2.5.3 Employee benefits and other compensation

The aggregate impacts of the post-employment benefits on the 2017 and 2018 reporting years are set out in the table below:

In thousands of euros	At 31/12/2018	Impact on income	Impact on equity	At 31/12/2017	Impact on income	Impact on equity	At 01/01/2017
Provisions for employee benefits	106,660	17,115	-2,020	91,565	1,972	-7,109	96,702
• Defined benefit plans	105,558	16,977	-2,020	90,601	1,944	-7,109	95,766
• Other long-term benefits	1,102	139		964	27		936

The sensitivity analysis, based on the actuarial assumptions used to value the defined benefit plans at year-end, is as follows:

Retirement and early retirement commitments

In millions of euros	Retirement	As a % of change
Present value of the commitment at 31/12/2018		
• Discount rate: 0.70%		
• Annual increase in salary: 2.00%	37.0	
• Retirement age: 63 (non-executive level employees)/65 (executive level employees)		
Sensitivity to the discount rate assumption		
Rate change to 0.95%	36.6	-1.0%
Rate change to 0.45%	37.3	0.9%
Sensitivity to the career profile assumption		
Rate change to 2.50%	37.8	2.3%
Rate change to 1.5%	36.1	-2.3%
Sensitivity to the retirement age assumption		
• increase of 1 year (for all guarantees)	36.8	-0.4%
• reduction of 1 year (for all guarantees)	37.1	0.4%

Commitments for financing the health insurance plan, end-of-career payments and service awards

In millions of euros	ETRG employees healthcare expenses	as a % of change	Retiree health insurance	as a % of change	Retirement lump sum	as a % of change	Service award	as a % of change
Present value of the commitment at 31/12/2018								
• Discount rate: 2.00%								
• Annual increase in salary: 2.00%	9.0		88.6		17.1		1.1	
• Retirement age: 63 (non-executive level employees)/65 (executive level employees)								
Sensitivity to the discount rate assumption								
Rate change to 2.00%	7.9	-12.5%	79.5	-10.3%	16.1	-5.7%	1.1	-3.8%
Rate change to 1.50%	10.4	15.0%	99.4	12.1%	18.2	6.2%	1.1	4.1%
Sensitivity to the career profile assumption								
Rate change to 2.50%	10.4	14.9%	88.6	0.0%	18.2	6.4%	1.1	0.0%
Rate change to 1.5%	7.9	-12.5%	88.6	0.0%	16.1	-5.9%	1.1	0.0%
Sensitivity to the retirement age assumption								
• increase of one year: 64 (non-executive level employees) 66 (executive level employees)	8.6	-5.1%	85.8	-3.2%	16.5	-3.3%	1.1	0.0%
• decrease of one year: 63 (non-executive level employees) 65 (executive level employees)	9.5	5.3%	91.6	3.3%	17.7	3.4%	1.1	0.0%

Projected commitments at 31 December 2019 are as follows:

Actuarial debt at 31/12/2018	**9,036**	**36,959**	**88,634**	**17,098**	**151,727**	**1,102**	**152,829**
Cost of services rendered in 2019	330	168	4,484	1,438	6,419	152	6,571
Financial cost in 2019	187	260	1,862	348	2,657	23	2,681
Services payable in 2019/transfer of capital upon departures in 2018	- 66	12,183	- 1,933	- 1,359	- 15,540	- 115	- 15,655
Estimated debt at 31/12/2019	**9,488**	**25,203**	**93,047**	**17,525**	**145,263**	**1,163**	**146,426**

The changes in commitments over 2018 are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment							
Present value of the commitment at 1 January	0	43,983	80,733	15,490	140,206	964	141,170
Financial cost	0	223	1,730	326		24	
Cost of services rendered over the year	0	203	3,862	1,266		142	
Cost of past services	9,036		0				
Reductions/Liquidations	0	0	0	0		0	
Services paid	0	-6,425	-1,838	-1,113		-80	
Actuarial gains (losses)	0	-1,693	1,967	446		-165	
Change in scope between AFD and IEDOM	0	667	2,180	682		218	
Present value of the commitment at 31/12/2018	**9,036**	**36,959**	**88,634**	**17,098**	**151,727**	**1,102**	**152,829**
Change in the fair value of retirement plan assets							
Fair value of assets at 1 January		49,605			49,605		49,605
Expected return on assets		248					
Services paid		-6,425					
Actuarial gains (losses)		2,741					
Liquidations		0					
Change in scope between AFD and IEDOM							
Fair value of assets at 31/12/2018		**46,169**			**46,169**		**46,169**
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	0	4,434	-1,967	-446	2,020	165	2,185
Actuarial gains (losses) recognised in profit or loss	0	0	0	0	0	-165	-165
Actuarial gains (losses) N-1 recognised in equity	0	0	0	0	0	0	0
Actuarial gains (losses) recognised in equity this period	0	-4,434	1,967	446	-2,020	0	-2,020
Actuarial gains (losses) not recognised at 31/12/2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amounts recognised on the balance sheet at 31/12/2018							
Present value of the funded commitment		36,959			36,959		36,959
Fair value of financed assets		-46,169			-46,169		-46,169
Present value of unfunded commitment	9,036		88,634	17,098	114,768	1,102	115,870
Net position	**9,036**	**-9,211**	**88,634**	**17,098**	**105,557**	**1,102**	**106,660**
Unrecognised actuarial gains (losses)	0	0	0	0	0	0	0
Balance sheet provision	**9,036**	**-9,211**	**88,634**	**17,098**	**105,557**	**1,102**	**106,660**
Amounts recognised on the income statement at 31/12/2018							

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Cost of services rendered over the period	0	203	3,862	1,266	5,332	142	5,474
Cost of past services	9,036	0	0	0	9,036	0	9,036
Financial cost for the period	0	223	1,730	326	2,279	24	2,303
Recognised actuarial gains (losses)	0	0	0	0	0	-165	-165
Expected return on retirement plan assets	0	-248			-248		-248
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**9,036**	**179**	**5,592**	**1,592**	**16,399**	**1**	**16,400**
Reconciliation of opening and closing net liability							
Liability at 1 January	0	-5,622	80,733	15,490	90,601	964	91,565
Expenses booked	9,036	179	5,592	1,592	16,399	1	16,400
Contributions paid	0	0			0	0	0
Restatements and transfers	0	667	2,180	682	3,529	218	3,747
Employer contributions	0	0	-1,838	-1,113	-2,952	-80	-3,032
Items not to be recycled in profit or loss	0	-4,434	1,967	446	-2,020	0	-2,020
Net liabilities at 31/12/2018	**9,036**	**-9,211**	**88,634**	**17,098**	**105,557**	**1,102**	**106,660**
Change in net liabilities	**9,036**	**-3,588**	**7,901**	**1,608**	**14,956**	**139**	**15,095**

6.2.6 Risk Information

The role of the Executive Risk Department (DXR) is to analyse, inform and advise executive officers (General 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).

6.2.6.1 Credit risk

Risk measurement and monitoring

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 DOE, 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 temporary special dispensations or riders to the agreements;
- half-yearly reviews of AFD's non-sovereign credit risks and appraising the 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 (RMF) are updated each half-year and keeping track of the limits;
- monitors borrowers on the watchlist, impairments and provisions and application of the recovery and penalty procedures;
- monitors the risk of the companies of AFD Group;
- compiles the Group's risk projections (portfolio, risk level, stress-tests);
- conducts loss ratio studies for the purpose of analysis, collective provision allocation and determining the risk margins;
- has the secretariat role for the Risk Committee (CORIS);
- 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 methods, tools and training materials.

The Second Opinion unit, which reports to the Executive Risk Department, participates in project cycle committees (Identification Committees (CID) and Credit Committees (CCR)). It provides an independent opinion on the risks of projects submitted to decision-making bodies (sovereign loans, non-sovereign loans, etc.).

The Economic Assessment and Public Policy Department (ECO), which reports to the Innovation, Research and Knowledge Department (IRS), measures the country risks (growth, stability of the financial system, public finances, external balances, sociopolitical 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 Risks 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 ECO agents. 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 CORIS committees are chaired by the Executive Risk Director. Their permanent members include Senior Management, the Executive Operations Director, the Finance Department, the head of risk management at Proparco, the head of DRG and the head of the Second Opinion unit.

At Proparco, the **Proparco Risks Division** (DRI) is responsible for appraising and monitoring borrowers.

The Group Risk Committee meets once a quarter after the CORIS Contreparties meeting. Its role is to conduct a regular review of the strategies, policies, procedures, systems, tools, risk positions, particularly 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

Large exposure limit

The "large exposure" limit defines the aggregate maximum authorised exposure to third parties or groups of connected third parties as 25% of eligible capital. The default internal limit is 23%, unless all exposures are euro-denominated, in which case the internal limit increases to 24%. Based on consolidated capital of €7,179M at 31/12/2018, the regulatory limit for large exposures is €1,794M.

The reporting of large exposures corresponds to authorised exposures exceeding 10% of capital.

Non-sovereign limits

In accordance with the regulations, AFD has a system of internal limits which are approved each year by the Board of Directors[1].

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 and weights them according to instrument type and counterparty rating (individual limits and groups of connected counterparties).

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

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

Any breach is identified in authorised risks in accordance with the regulatory requirements. Conversely, preventive measures (notifying the authorities and the French Treasury Department) include the residual amount to be authorised, so that action plans can be implemented if necessary.

The consolidated capital eligible for reporting large exposures ("FPGR") is used to calculate the internal limits. AFD's Board of Directors has approved the principle of a six-monthly review of capital at the reporting dates, to be examined by the statutory auditors (30 June and 31 December).

The system has three different limits:

- Regional limits:

  The regional ceiling on non-sovereign risks (only applicable in foreign countries) is set at 30% of FPGR (i.e. €2,153M).

  In addition, a regional ceiling (sovereign and non-sovereign risks) of 15% of total risk authorised on foreign countries (€5,982M) has been set to ensure that they diversify their portfolios.
- Sector limit:

  The overall limit for credit institutions is 50% of the total non-sovereign risks for foreign countries.
- Limits per group of connected counterparties and per counterparty:

(1) The latest revision of the limit system was adopted at the Board meeting in July 2018.

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. €861M). The single counterparty limit is also set at a risk-weighted 8% of FPGR (€574M). The breakdown by rating is illustrated in the tables below and according to the type of instrument:

Individual limits*

Rating	Loan equivalent limit	Equity exposure (FP GR)	Weighting
AAA	574	8%	100%
AA+	574	8%	100%
AA	574	8%	100%
AA-	574	8%	100%
A+	574	8%	100%
A	574	8%	100%
A-	574	8%	100%
BBB+	574	8%	100%
BBB	574	8%	100%
BBB-	574	8%	100%
BB+	522	8%	110%
BB	383	8%	150%
BB-	287	8%	200%
B+	230	8%	250%
B	191	8%	300%
B-	164	8%	350%

Valid until FP GR approved on 30/06/2019 are published.

Group limits on related counterparties*

Rating	Loan equivalent limit	Equity exposure (FP GR)	Weighting
AAA	861	12%	100%
AA+	861	12%	100%
AA	861	12%	100%
AA-	861	12%	100%
A+	861	12%	100%
A	861	12%	100%
A-	861	12%	100%
BBB+	861	12%	100%
BBB	861	12%	100%
BBB-	861	12%	100%
BB+	782	12%	110%
BB	574	12%	150%
BB-	430	12%	200%
B+	344	12%	250%
B	287	12%	300%
B-	246	12%	350%

* *Valid until FP GR approved on 30/06/2019 are published.*

Financial instruments	Weighting
senior loans	
Sub-participation	
Guarantees granted	100%
Standby	
Convertible bond	
Subordinated debt	
Participation loans	125%
Shareholder advances	
Individual ARIZ guarantees	
Total ARIZ guarantees	150%
Equity stakes	

Reporting thresholds for large and sovereign exposures

Reporting thresholds for monitoring large exposures have been set at 23% of FPGR for all countries rated RC1 to RC3, at 15% of capital for RC4 countries, and at 8% for RC5 countries. No commitments are permitted for RC6 countries. Indicators comparing AFD's exposure to macroeconomic aggregates of foreign countries are also monitored:

- the ratio between AFD's exposure and the GDP of the recipient country assesses AFD's weight in the country's economy;
- the ratio between AFD's exposure and exports measures the foreign exchange resources available for debt repayment;
- the ratio between AFD's exposure and external public debt measures AFD's relative share of risk within the donor community.

Alert thresholds are defined according to the sovereign risk classes in the table below. Alerts are triggered when the alert threshold for capital-based exposure is exceeded or when the three macroeconomic thresholds are exceeded.

Alert thresholds based on capital and macroeconomic indicators

	Macroeconomic indicators			
Counterparty risk rating (sovereign risk)	Risk Capital	GDP	External public debt	Exports
Tier 1	23%	2.3%	11.3%	9.0%
Tier 2	23%	2.3%	11.3%	9.0%
Tier 3	23%	1.5%	7.5%	6.0%
Tier 4	15%	1.5%	7.5%	6.0%
Tier 5	8%	1.2%	6.0%	4.5%
Tier 6	0%	0.9%	4.5%	3.0%

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 2018, had a balance of €741M, i.e. 4.6% of sovereign outstandings (latest agreement signed on 8 June 2015).

There is a special automatic penalty system for sovereign loans:

- arrears of over two months: suspension of approvals and signatures;
- arrears of over four months: suspension of payments.

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.

In the event of arrears of over 18 months on a sovereign debt, the third party in question is downgraded to doubtful and the sum is taken from the Treasury's reserve account.

Monitoring the risks of non-sovereign counterparties

As a reminder, 2017 saw the creation of the Portfolio Management and Specialised Support Department (GPS) within the Operations Department. This includes the Portfolio Management and Quality Division (GEP), formerly the Non-Sovereign Loans Financial Monitoring Division (PNS). This division remains responsible for financial monitoring of non-sovereign loans from the first instalment (monitoring the financial commitments of counterparties, or "covenants", monitoring recovery and management of waivers, amendments and restructuring). In 2018, the quarterly updating of permanent credit files was taken over by a new dedicated structure, the Counterparty Regulatory Knowledge Division (CRC), created in September 2017.

The risk assessment sheets, which contain the categories for the different rating methods, are updated every six months (annually for local authorities) by local offices (or Operational Departments at Head Office, 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 (GEP) perform a first-level control.

Credit analysts in the Credit Risk Assessment Division (CRD) 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 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 (CORIS) before closing the accounts. Collective provisions for performing loan outstandings and the Group's guarantees have been estimated quarterly in accordance with new IFRS 9 since the beginning of 2018.

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, credit rating, current situation, etc.), is composed of different compartments: simple sub-supervisory borrowers, restructured sub-supervisory borrowers, 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 (DRG) and sent to the Counterparty Risk Committee (CORIS), 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 are as follows:

- large borrowers (exposure greater than €100M) in the speculative category;
- occurrence of a significant adverse event;
- financial difficulties (credit rating less than or equal to B- or restructuring);
- emergence of arrears.

Classification of outstandings according to the different layers of non-performance:

In accordance with IFRS, 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 layers:

- Layer 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 (layer 2) or default (layer 3) set out below,
  - and debt securities recognised at fair value through equity to be included in profit or loss in the future or at amortised cost, for which the low credit risk exemption applies in accordance with IFRS (i.e. those with a rating above BBB-).
- Layer 2: this category includes performing loans (balance sheet and off-balance sheet) of downgraded third parties, i.e. those that have suffered a significant deterioration in their credit risk since inception, and exposures related to ARIZ guarantees.

  This significant deterioration in risk is demonstrated by at least one of the following criteria being met:
  - downgrading of the counterparty's internal rating since the inception of the contract;
  - placement of the counterparty under supervision;
  - 30 days past due;
  - downgrading based on an expert appraisal.
- Layer 3: this category includes doubtful outstandings, i.e. outstandings (balance sheet and off-balance sheet) of third parties which:
  - are more than 90 days past due (including local authorities);
  - represent a known credit risk (CCC credit rating);
  - have significant arrears identified according to the following two criteria:
    - the total arrears on all credit obligations exceeds €500,
    - the total arrears on all credit obligations is greater than 1% of all credit obligations of the third party (excluding undisbursed balance and equity participation), have 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 layer to which the outstanding amount relates and the type of outstanding amounts involved.

Estimates of impairments and provisions

Individual impairments are calculated on non-sovereign loans granted by AFD (including exposures associated with local authorities in French Overseas Departments and Collectivities) and debt securities classified at fair value through equity to be included in profit or loss in the future. Provisions are established for financial guarantees and undisbursed balances that have been authorised (by identifying a conversion factor and estimating early repayment).

For exposures in layer 1, individual impairments or provisions (for off-balance sheet commitments and financial guarantees) 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 layers 2 and 3, individual impairments or provisions (for off-balance sheet commitments and financial guarantees) 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 €31.2bn at 31 December 2018 (compared with €30.2bn at 31 December 2017), including €26.1bn in foreign countries and €5.1bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€28,5bn, i.e. 91% of outstandings).

AFD Group's doubtful outstandings totalled €1.0bn at 31 December 2018, including €0.1bn in sovereign doubtful outstandings and €0.9bn in non-sovereign doubtful outstandings.

Non-sovereign doubtful outstandings are covered by impairments and provisions totalling €0.6 bn, equivalent to a coverage ratio of 63%.

Breakdown of loans (gross value) by rating (excluding loans reimbursed and guaranteed by the State), excluding non-sovereign doubtful outstandings

In thousands of euros	31/12/2018 IFRS	31/12/2017 IFRS
Sovereign loans	16,254	14,598
Non-sovereign loans	14,994	14,395
Rated A (very good risk)	1,317	1,138
Rated B (good to average risk)	5,251	6,233
Rated C+ (passable risk)	5,653	4,994
Rated C- (significant risk)	2,736	2,002
Not rated*	36	27

Risks involved:

- consolidated AFD and Proparco after excluding AFD loans to Proparco
- outstanding loans excluding residual income and guarantees given

In 2017, the breakdown by intrinsic rating was reviewed to provide a more relevant breakdown of performing loans by credit rating.

Age of arrears

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

In thousands of euros	31/12/2018
Less than 90 days	26,023
More than or equal to 90 days and less than 180 days	1,462
More than or equal to 180 days and less than 1 year	8,497
More than 1 year	336,737
	372,720

Concentration of credit risk

Financial assets at amortised cost

	Performing assets		Doubtful assets		
In thousands of euros	Bucket 1	Bucket 2	Bucket 3	Financial assets impaired at acquisition or creation	Total
Book value					
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**
Investment grade (AAA to BBB-)	6,444,984	395,382			6,840,367
BB+ to BB-	3,309,133	1,425,220			4,734,353
B+	310,399	273,261			583,660
B	159,838	676,665			836,503
B-	14,675	421,611			436,286
CCC to D-			582,017		582,017
TOTAL AT 1 JANUARY 2018	**10,239,029**	**3,192,139**	**582,017**	**-**	**14,013,186**

Financial liabilities at fair value through equity to be included in profit or loss in the future

In thousands of euros	Performing assets Bucket 1	Performing assets Bucket 2	Doubtful assets Bucket 3	Financial assets impaired at acquisition or creation	Total
Book value					
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**
Investment grade (AAA to BBB-)	1,875,064				1,875,064
BB+ to BB-					
B+					
B					
B-					
CCC to D-					
TOTAL AT 1 JANUARY 2018	**1,875,064**				**1,875,064**

Financing commitments

In thousands of euros	Performing commitments Bucket 1	Performing commitments Bucket 2	Doubtful commitments Bucket 3	Financial commitments impaired at acquisition or creation	Total
Commitment amount					
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	213,325	-	-	355,127
B	421,877	256,594	-	-	678,471
B-	-	19,374	-	4,347	19,374
CCC to D-	-	-	25,184	-	25,184
Total at 31 December 2018	**2,380,523**	**791,737**	**25,184**	**19,808**	**3,197,444**
Investment grade (AAA to BBB-)	1,522,207	2,550	-		1,524,757
BB+ to BB-	967,433	56,255	-		1,023,688
B+	113,150	10,144	-		123,294
B	135,138	331,853	-		466,991
B-	58,145	161,344	-		219,489
CCC to D-	-	-	22,407		22,407
TOTAL AT 31 DECEMBER 2017	**2,796,073**	**562,145**	**22,407**	**-**	**3,380,625**

Guarantee commitments

In thousands of euros	Performing commitments Bucket 1	Performing commitments Bucket 2	Doubtful commitments Bucket 3	Financial commitments impaired at acquisition or creation	Total
Commitment amount					
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**
Investment grade (AAA to BBB-)	115,248	4	-		115,253
BB+ to BB-	9,645	363,855	-		373,500
B+	-	-	-		-
B	74,027	-	-		74,027
B-	-	-	-		-
CCC to D-	-	-	19,824		19,824
TOTAL AT 31 DECEMBER 2017	**198,921**	**363,859**	**19,824**		**582,604**

Credit risk exposure: change in book values and loss allowances over the period

Loss allowances correspond to impairments on assets and provisions on off-balance sheet commitments recorded in profit or loss (cost of risk) for credit risk.

The following tables present a reconciliation of the opening and closing balances of the loss allowances 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 2018	5,864	39,160	38,488	83,512
Change in impairments of loans at amortised cost to credit institutions				
New loans: purchased, granted, originated	1,104	1,601	-	2,705
Change in credit risk parameters over the period	- 4,185	9,959	- 4,467	1,307
Total change in impairments	**- 3,080**	**11,560**	**- 4,467**	**4,012**
AT 31 DECEMBER 2018	**2,784**	**50,720**	**34,021**	**87,524**

Assets at amortised cost: loans and receivables due from customers

In thousands of euros	Performing assets Stage 1	 Stage 2	Doubtful assets Stage 3	Total
At 1 January 2018	9,839	114,441	400,033	524,313
Change in impairments of loans at amortised cost to customers				
New loans: purchased, granted, originated	300	2,057	15,186	17,543
Change in credit risk parameters over the period	-6,691	14,971	25,988	34,268
Total change in impairments	**-6,392**	**17,029**	**41,175**	**51,812**
AT 31 DECEMBER 2018	**3,447**	**131,470**	**441,208**	**576,125**

Financing and guarantee commitments

In thousands of euros	Performing assets Stage 1	 Stage 2	Doubtful assets Stage 3	Total
At 1 January 2018	8,112	68,510	-	76,622
Change in impairment of financing and guarantee commitments				
New loans: purchased, granted, originated	1,237	28,552	-	29,789
Change in credit risk parameters over the period	-7,284	-12,087	8,527	-10,845
Total change in impairments	**-6,047**	**16,464**	**8,527**	**18,944**
AT 31 DECEMBER 2018	**2,065**	**84,974**	**8,527**	**95,566**

6.2.6.2 Liquidity risk

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

AFD has a Euro Medium Term Notes (EMTN) programme for not more than €40.0bn 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").

The portfolio of long-term investment securities also recognises a liquidity reserve that can be mobilised through market repurchase agreements. This portfolio has a supplementary securities portfolio created in the context of an additional liquidity reserve to meet the LCR. These securities may also be mobilised through repurchase agreements. The notional amount outstanding of these portfolios amounted to €1.83bn at the end of 2018.

Furthermore, operating cash flow is maintained at all times at a level equivalent to a minimum of six months of activity.

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

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

The statement of financial assets and liabilities by contractual maturity presents the maturity of financial liabilities at 31 December 2018.

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 and loss	16	1,773	86,387	250,982	339,159
Hedging derivatives (liabilities)	1,110	37,972	85,755	815,503	940,339
Financial liabilities valued at amortised cost	1,656,846	2,291,827	12,895,243	15,462,836	32,306,751

6.2.6.3 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 2018, an upward shock to interest rates of +100bps would have a negative impact of -€19.2M in 2019 (+€19.5M for a -100 bp decrease).

6.2.6.4 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 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 earnings of -€4.8M (+€4.8M for a 10% decrease), the sensitivity to exchange rates mainly originating from the dollar.

For information, AFD Group applies an internal limit approved by the Board of Directors on 12 July 2018: individual currency exposure may not exceed 1% of the three-month average of regulatory capital, while aggregated exposure must remain below 2%. This internal policy keeps foreign exchange risk to a minimum (excluding ownership interests, provisions and past due amounts).

Fair value hedges modify the risk caused by changes in the fair value of a fixed rate financial instrument as a result of interest rate movements. Fair value hedges transform fixed rate assets or liabilities into floating rate assets or liabilities.

The items hedged are principally loans, securities, deposits and debt.

In practice, funding raised by AFD (fixed rate bond issues) is not immediately "allocated" to refinancing lending operations under the "resources with ordinary conditions" (RCO) scheme. The funding raised therefore initially increases the volume of AFD's variable rate cash investments. In order to eliminate interest rate risk, when the bond is issued AFD arranges an issue swap to make debt servicing variable over the entire lifetime of the bond.

It is only once the loans are actually disbursed subject to review that the borrowings are allocated to resources with ordinary conditions, for the purposes of balance sheet management and for an amount corresponding to the principal outstanding on the loan.

AFD disaggregates outstanding loans allocated to resources with ordinary conditions on the basis of their quarterly and contractual maturity.

In order to freeze the subsidy paid by the French State, AFD "resets" its funding when disbursing loans using a "fixed rate/ revisable rate" interest rate swap. The notional value of the swap is therefore a function of the outstanding principal not past due in resources with ordinary conditions. Since it is allocated to a group of loans (resources with ordinary conditions) rather than individually, this operation is described as macro-hedging.

6.2.6.5 Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2018.

6.2.7 Additional information

6.2.7.1 Investments in managed funds

AFD has interests in 28 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)	3	1,330
Fonds d'Investissement & de Développement Économique et Social (FIDES)	5	642
Fonds d'Investissement des DOM (FIDOM)	12	1,526
Other Government resources	6	18,344
TOTAL	**26**	**21,842**

6.2.7.2 IMF balance sheet

In thousands of euros	31/12/2018	31/12/2017
Assets		
Loans and receivables due from credit institutions	1,434,536	1,435,002
Demand	815,320	532,746
Term	619,216	902,255
Accruals	52,496	57,091
TOTAL ASSETS	**1,487,032**	**1,492,093**
Liabilities		
Debt securities in issue	1,481,064	1,481,064
Bonds	1,434,000	1,434,000
Of which accrued interest	47,064	47,064
Accruals and other miscellaneous liabilities	5,969	11,029
TOTAL LIABILITIES	**1,487,032**	**1,492,093**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French government.

With the exception of management fees totalling €0.2M, the IMF loans have no impact on AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

6.2.7.3 Transactions between related parties

	31/12/2018		31/12/2017	
In thousands of euros	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	394,312		436,608	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**394,312**	**-**	**436,608**	**-**
Debts		394,312		436,608
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES WITH RELATED ENTITIES	**-**	**394,312**	**-**	**436,608**
Related interest, income and expenses	11,075	-11,075	13,768	-13,768
Commissions				
TOTAL NBI GENERATED WITH RELATED ENTITIES	**11,075**	**-11,075**	**13,768**	**-13,768**

6.2.7.4 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 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

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

At 31 December 2018, AFD Group did not have any offices in non-cooperative countries or territories.

6.2.7.5 Statutory auditors' fees at 31 December 2017

In compliance with Decree N° 2008-1487 of 30 December 2008, the table below shows the fees paid in 2017 to the statutory auditors of AFD Group. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Honoraire HT - Exercice 2018 *(en euros)*	KPMG	Mazars	PwC	Honoraire HT - Exercice 2018
AFD	236,500	242,500		479,000,€
Proparco	70,000	70,000		140,000,€
Soderag	15,000			15,000,€
Sogefom			11,000	11,000,€
Fisea	12 970			12,970 €
Propasia		7 000		7,000 €
TOTAL	**334,470**	**319,500**	**11,000**	**664,970**

** includes fees on account of IFRS 9 (Mazars: €60,000/KPMG: €54,000)*

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2018 were €30,830,000.

Fees SAC excluding tax– 2018 financial year *(en euros)*	KPMG	Mazars	Fees SAC excluding tax– 2018 financial year
TOTAL	**27 165**	**3 665**	**30 830**

6.2.7.6 Significant events since 31 December 2018

A minority shareholder of Proparco confirmed its intention to exercise the option for AFD to buy back its shares. The actual implementation of the buyback is subject to a ministerial order. The transaction is expected to be completed in 2019 and will increase AFD's stake in Proparco to 74%.

No other significant event took place after 31 December 2018.

6.3 Statutory auditors' report on the consolidated financial statements

Opinion

In compliance with the assignment entrusted to us by your Board of Directors, we have audited the consolidated financial statements of Agence Française de Développement for the year ended 31 December 2018, as attached to this report.

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

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

AUDITING FRAMEWORK

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities pursuant to those standards are set out in the «Responsibilities of the statutory auditors in the auditing of the consolidated financial statements» section of this report.

INDEPENDENCE

We carried out our audit mission in accordance with the rules of independence applicable to us from 1 January 2018 to the date of our report, and in particular we did not provide services prohibited by Article 5, paragraph 1 of Regulation (EU) No 537/2014 or the Code of Ethics for the profession of statutory auditor.

COMMENT

Without undermining the opinion expressed above, we would like to draw your attention to the change in accounting methods in respect of the first-time application of IFRS 9 Financial Instruments explained in notes 1.6, 2, 3.2.2, 3.2.3, 3.2.6, 3.3 and 3.4 to the consolidated financial statements.

Justification of our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we would like to bring to your attention the key points of the audit relating to the risks of material misstatement, which, in our professional judgement, were greatest for the audit of the consolidated financial statements for the year, as well as the responses we provided to those risks.

The assessments thus made fall within the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in those consolidated financial statements in isolation.

IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 9: FINANCIAL INSTRUMENTS

Risks identified

As at 1 January 2018, the Agence Française de Développement Group applied IFRS 9: Financial Instruments (phase 1 and 2), in place of IAS 39, to its consolidated financial statements.

This standard introduces substantial changes to the rules of classification and measurement (phase 1) and impairment of financial assets (phase 2).

The group re-assessed the classification and measurement of its financial assets and liabilities as at 1 January 2018 based on management models and the characteristics of contractual cash flows. For the impairment of financial assets at amortised cost, the new standard expands the basis of exposures subject to impairment. Impairment for expected credit risk must now be taken into account for all financial exposure at amortised cost, including loans, commitments and signed performing undisbursed balances.

The impacts of first-time application of this new standard (€142M of which €16M impact of Classification and Measurement (phase 1) and €126M of Impairment (phase 2)) were recognised in the Group's opening consolidated equity, as mentioned in notes 1.6, 2, 3.2.2, 3.2.3, 3.2.6, 3,3, 3.4- notes 1, 3, 5, of the notes to the consolidated financial statements.

We considered this change of standard to be a significant risk given the importance of the methodology selected for this first-time application of IFRS 9, the presentation changes it required and its impact on the financial information published.

Audit procedures implemented in response to risks identified

When implementing IFRS 9 within the full AFD Group, we:

- For phase 1 – Classification and Measurement:
  - examined the normative analyses carried out, the accounting principles defined by the Group and how they applied to the main business lines;
  - assessed the control mechanism put in place by AFD Group;
  - examined samples of contracts to verify the financial asset classification analysis carried out;
  - assessed the financial asset management models;
  - checked, based on sampling, the valuation of the financial instruments.
- For phase 2 – Impairment of financial assets:
  - reviewed the governance of the new impairment models;
  - assessed and reviewed the main phase 2 methods used by AFD Group, the relevance of the assumptions of the provisioning model, the normative options selected and the special processing of some exposures;
  - reviewed the process for evaluating the provisions and the internal control procedures governing them;
  - reviewed implementation of the IFRS 9 impairment calculation method;
  - verified the comprehensiveness of the basis on which the provision was calculated, the consistency of the parameters applied according to the methods validated, and checking the accuracy of the calculations made;

We also checked the appropriateness of the information published in the note on the impacts of first-time application of IFRS 9.

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 creating impairments on these non-sovereign loans to cover these risks. These are estimated as follows:

- Since 1 January 2018, the impairment calculation for performing and non-performing non-sovereign exposure has been based on an anticipated losses model which, in addition to the outstandings, takes account of the performing commitments signed and the undisbursed balances of the corresponding loans. This method involves placing loans into different categories (also referred to as tiers) based on changes in their corresponding credit risk since the outset:
  - Tier 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;
  - Tier 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. Theses 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 «Tier 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 judgement 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 regards the AFD Group's consolidated financial statements at 31 December 2018, the total amount of provisions amounts to €664 million as indicated in Notes 3.2.3, 3.4.1, note 5.2 and 3.4.2 note 17 to the consolidated financial statements.

Audit procedures implemented in response to risks identified

To assess the reasonableness of the provisions created, we:

- reviewed the process for evaluating the provisions and the internal control procedures governing them;
- reviewed the governance of the impairment processes for the credit risk of non-sovereign loans;
- verified the consistency of data from the risk management systems with the accounting data;
- assessed the consistency of changes in impairment, outstandings and the risk burden.

If the impairment was calculated on a collective basis (Tiers 1 and 2), we put in place the following substantive procedures:

- check to ensure the bases are exhaustive and the classification rules have been correctly applied to each tier;
- check to ensure the consistency of the parameters applied in the calculation method and any updates in line with validated methodologies;
- verification of the arithmetical accuracy of the calculations made;
- assessment of the consistency of changes in impairments, outstandings and the risk burden.

When the impairment was determined on an individual basis (tier 3), our work consisted in:

- 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 doubtful outstandings were not changed compared to the previous year and were correctly applied throughout the financial year.

Valuation of financial assets at fair value - tier 2 and tier 3

Risks identified

The Agence Française de Développement 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 recognised 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 some of these tier 2 and tier 3 financial instruments requires the exercise of judgement by management for the selection of the valuation method and parameters to be used.

We considered the valuation of financial assets at fair value (tiers 2 and 3) to be a key point of the audit, 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 significance of those amounts in the financial statements.

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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 amortised 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.

SPECIAL CHECKS

As required by law, we also verified, in accordance with professional standards applicable in France, the Group-related information that appeared in the management report of the Board of Directors.

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

We certify that the statement of non-financial performance required under Article L.225-102-1 of the French Commercial Code is included in the management report, on the understanding that in accordance with Article L.823-10 of the same Code, the information in this statement has not been checked for accuracy or concordance with the consolidated financial statements and should be the subject of an independent third party report.

Information obtained from other legal and regulatory requirements

APPOINTMENT OF STATUTORY AUDITORS

KPMG S.A. was appointed as a statutory auditor for Agence Française de Développement by your Board of Directors on 3 July 2002 and Mazars on 30 April 1996.

At 31 December 2018, KPMG was in the seventeenth consecutive year of its mission and Mazars in the twenty-third year, 17 and 20 years respectively since the company's shares were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND THE PERSONS COMPRISING THE GOVERNANCE OF THE COMPANY IN THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that present a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal controls that it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether due to fraud or error.

During the preparation of the consolidated financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, presenting in those financial statements, as appropriate, the necessary information relating to the continuity of operations and applying the going concern accounting policy unless there are plans to wind up the company or cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit as regards procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Chief Executive Officer.

RESPONSIBILITIES OF THE STATUTORY AUDITORS IN THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatements. Misstatements may be due to fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that financial statement users make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission of financial statement certification does not involve guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, statutory auditors exercise their professional judgement throughout the audit. Moreover:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address those risks, and collect items they consider sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement due to fraud is higher than it is for a material misstatement due to an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing of internal controls;
- they review the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of the internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;

- they assess the appropriateness of management's application of the going concern accounting policy and, according to the items gathered, the existence or non-existence of significant uncertainty related to events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information gathered up to the date of their report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If they conclude that there is significant uncertainty, they point out that uncertainty to the readers of their report on the information provided in the consolidated financial statements or, if such information is not provided or is not relevant, they give a qualified certification or refuse to certify;
- they assess the overall presentation of the consolidated financial statements and evaluate whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view thereof;
- concerning the financial information of the persons or entities included in the scope of consolidation, they collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee that outlines the scope of the audit and the programme put in place, as well as the conclusions arising from our work. We also point out, where appropriate, significant weaknesses in the internal controls that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items submitted in the report to the Audit Committee are risks of material misstatement, which we consider to have been the most important for the auditing of the consolidated financial statements for the year and therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration described in Article 6 of Regulation (EU) No 537-2014 confirming our independence as defined by the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for the profession of statutory auditor. As appropriate, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 4 April 2019

The statutory auditors

KPMG S.A.	MAZARS
Pascal Brouard	Nicolas De Luze
Partner	Partner

6.4 Statutory auditors' special report on regulated agreements and commitments

To the members of the Board of Directors of Agence Française de Développement,

In our capacity as statutory auditors of Agence Française de Développement, we hereby present our report on your regulated agreements and commitments.

On the basis of the information provided to us, we are required to inform you of the principal terms and conditions, as well as the reasons providing evidence of the benefit to the company, of the agreements and commitments of which we have been informed or that we discovered during our assignment. It is not our role to determine whether they are beneficial or appropriate or to look for the existence of other agreements and commitments. 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 and commitments 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 and commitments already approved by the Board of Directors.

We performed the procedures we considered necessary in accordance with the professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the basic documentation from which it was taken.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE BOARD OF DIRECTORS FOR APPROVAL.

Agreements and commitments approved and entered into during the previous financial year

Pursuant to Article L. 225-40 of the French Commercial Code applicable to your institution in accordance with Article L. 511-39 of the French Monetary and Financial Code, we have been advised of the following agreements and commitments entered into during the previous financial year that were subject to the prior authorisation of your Board of Directors.

WITH THE COMITÉ NATIONAL DE SOLIDARITÉ LAÏQUE (CNSL) (NATIONAL SECULAR SOLIDARITY COMMITTEE)

Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT 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.

As at 31 December 2018, no grant had as yet been paid.

Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT 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 2018, AFD had paid €171,000.

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

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).

The income booked by AFD under this agreement for the period from 1 January 2018 to 31 December 2018 totalled €44,501K.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE BOARD OF DIRECTORS.

Agreements and commitments approved in previous years

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments 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 DEVELOPPEMENT 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 2018, AFD had paid the total subsidy of €2,943,000.

Agreement between AGENCE FRANCAISE DE DEVELOPPEMENT 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 2018, 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 June 2016.

At 31 December 2018, AFD had paid the total subsidy of €65,000.

WITH THE COMITÉ NATIONAL DE SOLIDARITÉ LAIQUE – CNSL

Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT 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 2018, AFD had paid €201,000.

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 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 the Agency 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 2018, AFD had paid the total subsidy of €910,000.

WITH THE SOCIETE 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 €1,820K under this agreement in 2018.

WITH THE SOCIETE DE DEVELOPPEMENT REGIONAL 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 2018, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 totalled €106,346,000.

WITH THE SOCIETE DE CREDIT POUR LE DEVELOPPEMENT DE LA MARTINIQUE (SODEMA), SOCIETE DE CREDIT POUR LE DÉVELOPPEMENT DE LA GUADELOUPE (SODEGA) AND THE SOCIETE FINANCIERE POUR LE DEVELOPPEMENT ECONOMIQUE 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 2018, outstanding loans in AFD's books amounted to €9,761K for SODEMA, €13,435K for SODEGA and €856K 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 2018, AFD was paid fees and interest for these loans that amounted to €135,000 from SODEMA, €100,000 from SODEGA and €48,000 from SOFIDEG.

In 2018, up to €20,769K 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 €2,179K in 2018.

WITH THE FONDATION POUR LES ETUDES ET RECHERCHES SUR LE DEVELOPPEMENT INTERNATIONAL (FERDI) AND THE FONDATION DE RECHERCHE POUR LE DÉVELOPPEMENT DURABLE ET LES RELATIONS INTERNATIONALES (FONDDRI)

Lending agreements

Under two agreements signed with FERDI and FONDDRI, respectively, AFD undertook in 2000 to grant an interest-free loan of €12,500K to each foundation, repayable in one instalment after 15 years.

Loan outstanding amounted to €25M at 31 December 2018.

AFD received no remuneration under these agreements in 2018.

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

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.

In the 2018 financial year, AFD paid PROPARCO €133,000 in commission.

- 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.

In the 2018 financial year, AFD paid PROPARCO 675,000 in commission.

Paris-La Défense, 4 April 2019

The statutory auditors

KPMG S.A.	MAZARS
Pascal Brouard	Nicolas De Luze
Partner	Partner

6.5 Fees

	MAZARS			KPMG AUDIT		
	Amount		%	Amount		%
Amounts in thousands of euros	**2018**	2017	**2018**	**2018**	2017	**2018**
Audit						
Statutory audit and certification of the annual and consolidated financial statements of AFD Group	320	296	99 %	334	316	92 %
Parent company (AFD)	*243*	*219*	*75 %*	*237*	*219*	*65 %*
Fully consolidated companies	*77*	*77*	*24 %*	*98*	*98*	*27 %*
Additional assignments	4	6	1 %	27	76	8 %
Parent company (AFD)	*4*	*6*	*1 %*	*27*	*76*	*8 %*
Fully consolidated companies	*0*	*0*	*0 %*	*0*	*0*	*0 %*
Subtotal	**324**	**302**	**100 %**	**362**	**392**	**100 %**
Other services						
Legal, tax, benefits						
Other						
Subtotal	**0**	**0**	**0 %**	**0**	**0**	**0 %**
TOTAL FEES BEFORE TAX	**324**	**302**	**100 %**	**362**	**392**	**100 %**

AFD's annual financials statements

Balance sheet at 31 December 2018

Assets

In thousands of euros	Notes	31/12/2018	01/01/2018	31/12/2017
Cash, Central Bank		1,399,400	1,016,776	1,016,776
Government paper and equivalent	1 & 2	1,550,007	1,746,218	1,746,218
Receivables from credit institutions	3	13,243,311	11,894,788	11,894,788
Demand		*2,323,579*	*2,216,500*	*2,216,500*
Term		*10,919,732*	*9,678,288*	*9,678,288*
Transactions with customers	4	25,959,027	24,070,676	24,070,676
Other loans to customers		*25,959,027*	*24,070,676*	*24,070,676*
Bonds and other fixed-income securities	1 & 2	731,300	198,887	198,887
Shares and other variable-income securities	1 & 2	39,033	39,033	39,033
Equity stakes and other long-term securities	5	139,078	144,180	144,180
Shares in related businesses	6	620,089	605,575	605,575
Intangible assets	9	39,039	31,818	31,818
Property, plant and equipment	9	193,288	192,500	192,500
Other assets	10	*408,035*	*511,311*	*511,311*
Accruals	11	*635,916*	*477,524*	*477,524*
TOTAL ASSETS		**44,957,522**	**40,929,287**	**40,929,287**
Off-balance sheet: Commitments given				
Financing commitments		12,595,936	12,846,196	12,846,196
To credit institutions		*2,526,080*	*2,938,977*	*2,938,977*
To customers		*10,069,856*	*9,907,219*	*9,907,219*
Guarantee commitments	32	2,350,896	2,257,412	2,257,412
To credit institutions		*23,480*	*21,424*	*21,424*
To customers		*2,327,416*	*2,235,988*	*2,235,988*
Commitments on securities		167,478	328,321	328,321
Other commitments on securities	32	*167,478*	*328,321*	*328,321*

Balance sheet at 31 December 2018

Liabilities

In thousands of euros	Notes	31/12/2018	01/01/2018	31/12/2017
Debts to credit institutions	12	393,260	452,439	452,439
Demand		*115,861*	*143,832*	*143,832*
Term		*277,399*	*308,607*	*308,607*
Transactions with customers	13	1,690	2,187	2,187
Other demand debts		*1,690*	*2,187*	*2,187*
Other term debts				
Debt securities in issue	14	33,858,366	30,532,628	30,532,628
Interbank market and negotiable debt		*478,250*	*679,787*	*679,787*
Bonds		*33,380,116*	*29,852,841*	*29,852,841*
Other liabilities	10	1,894,448	1,720,758	1,720,758
Borrowings from French Treasury				
Allocated public funds		*74,354*	*75,702*	*75,702*
Other liabilities		*1,820,093*	*1,645,056*	*1,645,056*
Accruals	11	393,863	363,612	363,612
Provisions	15	1,204,349	1,075,321*	1,195,302
Subordinated debt	16	1,703,007	1,375,005	1,375,005
Reserve for General Banking Risk (RGBR)	17	460,000	460,000	460,000
Equity excluding RGBR	18	5,048,540	4,947,337	4,827,355
Provisions		*2,807,999*	*2,807,999*	*2,807,999*
Reserves		*2,063,442*	*1,891,758**	*1,771,777*
Subsidies		*31,702*	*32,976*	*32,976*
Income		*145,397*	*214,604*	*214,604*
TOTAL LIABILITIES		**44,957,522**	**40,929,287**	**40,929,287**
Off-balance sheet: Commitments received				
Financing commitments		-	120,000	120,000
Received from credit institutions				
Received from the French State		-	120,000	120,000
Guarantee commitments	32	332,990	356,683	356,683
Received from credit institutions		332,990	356,683	356,683
Commitments on securities				
Other commitments received on securities				
Other commitments	32	4,128,610	3,533,063	3,533,063
Guarantees received from the French State		4,128,610	3,533,063	3,533,063

* *Change in accounting method section 7.1.7*

7

2018 income statement

In thousands of euros	Notes	31/12/2018	31/12/2017
Income and expenses on banking operations			
Interest and related income	**20**	**1,586,542**	**1,454,860**
On transactions with credit institutions		457,512	415,005
On transactions with customers		532,854	512,984
On bonds and other fixed-income securities		23,286	21,560
Other interest and similar income		572,891	505,312
Interest and related expenses	**21**	**1,255,994**	**1,181,635**
On transactions with credit institutions		695,916	635,552
On transactions with customers		26	0
On bonds and other fixed-income securities		546,130	475,942
Other interest and similar income		13,923	70,141
Income on variable-income securities		14,844	17,455
Commissions (income)	**22**	**81,390**	**76,683**
Commissions (expenses)		**637**	**592**
Gains or losses on investment portfolio transactions and similar	**23**	**-3,898**	**-731**
Other income on banking operations	**24**	**280,805**	**272,606**
Other expenses on banking operations	**25**	**65,615**	**67,154**
Net banking income		**637,438**	**568,492**
Other ordinary income and expenses			
Overheads	**26**	**387,247**	**348,355**
Staff costs		*261,415*	*235,661*
Other administrative expenses		*125,832*	*112,694*
Provisions for depreciation of property, plant and equipment and intangible assets and amortisation	**9**	**22,054**	**20,152**
Gross operating income		**228,137**	**199,985**
Cost of risk	**29**	**-75,220**	**9,849**
Operating income		**152,917**	**209,834**
Gains or losses on fixed assets	**30**	**-1,296**	**5,420**
Pre-tax income from operations		**151,621**	**215,254**
Exceptional income	**31**	**-6,223**	**-650**
NET INCOME		**145,397**	**214,604**

7.1 Highlights of the period

7.1.1 Growth of the balance sheet

At 31 December 2018, the total balance sheet stood at €44.9bn, up 10% compared to the previous year. This change mainly stems from the growth in activity, with an increase of 8% 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, in 2018 AFD made five bond issues in the form of public issues and sixteen private placements, as well as nine tap issues, for a total volume of €6.5bn.

7.1.3 Appropriation of 2017 earnings

Pursuant to Article 79 of the 2001 amending Finance Bill N° 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial order.

The 2017 financial statements were approved by the Board of Directors on 11 April 2018.

The Minister of the Economy and Finance determined the 2017 dividend to be paid by AFD to the French State. It amounted to €42.9M, 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 – €171.7M – was appropriated to reserves.

7.1.4 Fisea capital increase

Following the decision by the partners on 13 June 2018 to increase Fisea's capital, AFD paid up €20.0M worth of subscribed shares.

7.1.5 End of the UES linking AFD and IEDOM

Following the termination on 28 February 2018 of the UES [common works council and employment agreement] linking AFD and IEDOM, employees seconded to IEDOM by AFD and IEDOM employees seconded to AFD offices overseas were asked to choose to either (i) transfer permanently to the company to which they were seconded or (ii) transfer their contracts of employment back to the company that initially hired them.

Consequently, on 28 February 2018, 59 employees opted to return to AFD and four chose to stay at IEDOM.

At 31 December 2018, the net impact of the transfer of staff between AFD and IEDOM was an increase in provisions for employee benefit obligations of €3.7M.

This had no impact on 2018 earnings as these obligations were billed back to IEDOM.

7.1.6 Initial estimate of the health insurance agreement for expatriate employees

Under the agreement, AFD employees working outside France are repaid a set package of health care expenses depending on the country. Both active and retired AFD employees as well as their dependants are covered by these systems. Expatriate employees are guaranteed this cover for life after retirement.

The agreement and AFD's consequent provisions only pertain to currently active employees (future retirees) and current retirees.

At 31 December 2018, the initial estimate of the provisions came to €9.04M and was recorded under non-recurring income in accordance with French GAAP.

7.1.7 Accounting for credit risk provisions: change from French GAAP to IFRS

On 1 January 2018, AFD Group overhauled its methods for calculating credit risk provisions. The main changes are as follows:

- Financing commitments given in respect of undisbursed amounts under signed loan agreements are now taken into account;
- The overhaul of the method for calculating the collective provision allocations for performing non-sovereign loans.

The impact of the first-time application of the new method was reported under change of accounting methods and involved a €120M reduction in the collective provision allocations, offset in the opening shareholders' equity at 1 January 2018 in compliance with ANC Regulation 2018-01.

7.2 Accounting principles and assessment methods

7.2.1 General comments

The annual financial statements of Agence Française de Développement 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 the first two 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 programme(1), 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

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

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

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

By agreement with the French Prudential Supervisory and Resolution Authority, the following exceptions are allowed: debts guaranteed by the French State, which are not downgraded, and sovereign debts for which the allowed period of arrears has been extended to 18 months.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total impairment for the outstanding capital (impairment for specific risks).

Litigated debt obligations are included in doubtful loans.

Non-performing outstanding loans are doubtful loans for which the prospect of repayment is greatly reduced and for which reclassification to the rank of performing outstanding loan is unlikely. Loans rated doubtful for more than 12 consecutive months and credit agreements beyond their term are always classified in this category.

AFD has recorded depreciations to cover the discounted value of all projected losses on doubtful loans and non-performing loans. The projected losses are equal to the difference between the initial contractual cash flows, less those already received, and projected cash flows. Cash flows are discounted at the original effective interest rate for fixed-rate loans and at the last effective interest rate for variable-rate loans.

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

(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 2018, restructured loans had a balance of €109.9M. Discounts of €2.9M related to seven restructured loans 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 reported as income.

  Impairment for unrealised losses, calculated as the difference between book value and market price, is made monthly on a line-by-line basis, without offsetting unrealised gains. Unrealised gains are not shown in the 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 reported 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 26 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 (the difference between the redemption price and par value of securities) and positive or negative share premiums (the difference between the issue price and par value of securities) are spread over the maturity of the borrowings using the actuarial method.

7.2.7 Subsidies

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 2014-07[(1)], 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 OF 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.

With regard to credit risk, the change in accounting method to French standards as applied according to the provisions of standard IFRS 9 for the Group's consolidated financial statements, complies with applicable company standard texts:

- Article 121–4 of ANC Regulation 2014-03 lays down the principle of caution, which in itself warrants provisions, including for unexpected losses;
- Article 1121-3 of ANC Regulation 2014-07 on provisions for liabilities allows provisions on the basis of "recent or current events" for loans whose credit risk or risk factors have worsened significantly;
- Article 2231-1 of ANC Regulation 2014-07 on credit risk relating to forward financial instruments states that likely losses from off-balance sheet commitments must be recorded as a liability under provisions;
- Article 323–6 of ANC Regulation 2014-03 on measuring liabilities allows for "future events" to be taken into account when estimating provisions.

Thus, IFRS principles for estimating provisions to IFRS are applied to AFD's individual financial statements.

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 7.2.3 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, adopting a forward looking approach.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 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 this reason AFD Group relies on credit rating transitions and default probabilities issued by ratings 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 takes the value of collateral into account when simulating loss given default.

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 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 allows for:

- the contractual amortisation of the principal;
- drawdown elements of the lines recognised off-balance sheet;
- any early repayments.

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

Collective provision allocations for performing non-sovereign loans had a negative impact on the cost of risk in the amount of €28.9M.

Collective 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 €11.8M.

These allocations factor in the impact of the change in accounting method recorded in equity on 1 January 2018 for an amount of €120.0M.

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: 0.70%;
  - 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: 2.00%;
  - 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 2018, the amount of the provision was increased by **€16,981K**.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2018 in the amount of €139K.

The aggregate impacts on the 2017 and 2018 reporting years are set out in the table below:

In thousands of euros	At 31/12/2018	Change in the impact on income	At 31/12/2017	Change in the impact on income	At 31/12/2016
Provisions for employee benefits	**105,291**	**17,120**	**88,171**	**2,150**	**86,021**
• Defined benefit plans	104,189	16,981	87,207	2,123	85,084
• Other long-term benefits	1,102	139	964	27	936

The changes in commitments over 2018 are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Total Overall
Change in the present value of the commitment:							
Present value of the commitment at 1 January	**0**	**43,983**	**80,733**	**15,490**	**140,206**	**964**	**141,170**
Financial cost	0	223	1,730	326	2,279	24	2,303
Cost of services rendered over the year	0	203	3,862	1,266	5,332	142	5,474
Cost of past services	9,036	0	0	0	9,036	0	9,036
Reductions/Liquidations	0	0	0	0	0	0	0
Services paid	0	-6,425	-1,838	-1,113	-9,377	-80	-9,457
Actuarial gains (losses)	0	-1,693	1,967	446	721	-165	556
Other (commitment transfers)	0	667	2,180	682	3,529	218	3,747
Present value of the commitment at 31/12/2018	**9,036**	**36,959**	**88,634**	**17,098**	**151,727**	**1,102**	**152,829**
Change in the fair value of retirement plan assets							
Fair value of assets at 1 January		49,605			49,605		49,605
Expected return on assets		248					
Services paid		-6,425					
Actuarial gains (losses)		2,741					
Liquidations		0					
Fair value of assets at 31/12/2018		**46,169**			**46,169**		**46,169**
Corridor limits							
Actuarial gains (losses) not recognised at 1 January		3,093	-5,984	-503	-3,097	0	-3,097
Corridor limits at 1 January	0	4,960	8,073	1,549			
Actuarial gains (losses) generated over the year	0	4,434	-1,967	-446	2,020	165	2,185
Actuarial gains (losses) recognised in profit or loss	0	-5	8	2	5	-165	-160
Actuarial gains (losses) recognised in equity		0	0	0	0		0
Actuarial gains (losses) not recognised at 31/12/2018	**0**	**7,522**	**-7,943**	**-947**	**-1,369**	**0**	**-1,369**

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In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Total Overall
Amounts recognised on the balance sheet at 31/12/2018							
Present value of the funded commitment	9,036	36,959					
Fair value of financed assets	0	-46,169			-174		-174
Present value of unfunded commitment	0		88,634	17,098	105,732	1,102	106,834
Net position	**9,036**	**-9,211**	**88,634**	**17,098**	**105,557**	**1,102**	**106,660**
Unrecognised actuarial gains (losses)	0	7,522	-7,943	-947	-1,369		-1,369
Balance sheet provision	**9,036**	**-1,689**	**80,690**	**16,151**	**104,189**	**1,102**	**105,291**
Amounts recognised on the income statement at 31/12/2018							
Cost of services rendered over the period	0	203	3,862	1,266	5,332	142	5,474
Cost of past services	9,036	0	0	0	9,036	0	9,036
Financial cost for the period	0	223	1,730	326	2,279	24	2,303
Recognised actuarial gains (losses)	0	-5	8	2	5	-165	-160
Expected return on retirement plan assets	0	-248			-248		-248
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**9,036**	**173**	**5,600**	**1,594**	**16,404**	**1**	**16,404**
Reconciliation of opening and closing net liability							
Liability at 1 January	0	-2,529	74,749	14,988	87,207	964	88,171
Expenses booked	9,036	173	5,600	1,594	16,404	1	16,404
Contributions paid							0
Restatements and transfers	0	667	218,108	682	3,529	217,806	3,747
Employer contributions		0	-1,838	-1,113	-2,952	-80	-3,032
Items not to be recycled in profit or loss	0	0	0	0	0		0
Net liabilities at 31/12/2018	**9,036**	**-1,689**	**80,690**	**16,151**	**104,189**	**1,102**	**105,291**
Change in net liabilities	**9,036**	**840**	**5,942**	**1,163**	**16,981**	**139**	**17,120**

Projected commitments at 31 December 2018 are as follows:

Actuarial debt at 31/12/2018	**9,036**	**36,959**	**88,634**	**17,098**	**151,727**	**1,102**	**152,829**
Cost of services rendered in 2019	330	168	4,484	1,438	6,419	152	6,571
Financial cost in 2019	187	260	1,862	348	2,657	23	2,681
Services payable in 2019/transfer of capital upon departures in 2018	- 66	12,183	- 1,933	- 1,359	- 15,540	- 115	- 15,655
Estimated debt at 31/12/2019	**9,488**	**25,203**	**93,047**	**17,525**	**145263**	**1,163**	**146,426**

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 accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and per the third stage of additional financing of €280M, there was a drawdown of €160M on this last tranche of RCS (Resources with special conditions) in September 2017. The balance of €120M was drawn down in September 2018, reaching the total amount of €840M for the period 2015-2018.

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 €40M at 31 December 2018.

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 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 2018, 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

A minority shareholder of Proparco confirmed its intention to exercise the option to buy back its shares by AFD. The concrete implementation of the buyback is subject to obtaining a ministerial order. The effective completion of the transaction is planned for 2019 and will thus increase AFD's stake in Proparco to 74%.

No other significant events took place after 31 December 2018.

7.3 Notes to the financial statements at 31 December 2018

SUMMARY OF THE NOTES

NOTE 1 Short-term investments(1)

In thousands of euros	December 2018 Listed securities	December 2018 Unlisted securities	December 2018 Total	December 2017 Listed securities	December 2017 Unlisted securities	December 2017 Total
Government paper and equivalent	863,195		863,195	1,059,199		1,059,199
Related receivables	6,848		6,848	8,463		8,463
Impairments	-2,305		-2,305	-416		-416
Net total	**867,738**		**867,738**	**1,067,246**		**1,067,246**
Bonds and other fixed-income securities	175,176	473,730	648,905	45,252	53,969	99,221
Related receivables	350	-116	235	446	11	457
Impairments	0	-223	-223	0		0
Net total	**175,526**	**473,390**	**648,917**	**45,698**	**53,980**	**99,678**
Shares and other variable-income securities	39,033		39,033	39,033		39,033
Impairments						0
Net total	**39,033**		**39,033**	**39,033**		**39,033**
TOTAL NET VALUE	**1,082,297**	**473,390**	**1,555,687**	**1,151,977**	**53,980**	**1,205,957**

In thousands of euros	Fixed income	Variable income	Total	Fixed income	Variable income	Total
Unrealised capital gains	7,865	9,147	17,012	9,314	10,764	20,078

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2018
Maturity of bonds and other fixed-income securities	200,373	200,295	134,768	113,469	648,905

NOTE 2 Long-term investments(1)

In thousands of euros	December 2018 Listed securities	December 2018 Unlisted securities	December 2018 Total	December 2017 Listed securities	December 2017 Unlisted securities	December 2017 Total
Government paper and equivalent	673,170		673,170	669,410		669,410
Related receivables	9,100		9,100	9,563		9,563
Net total	682,269		682,269	678,973		678,973
Bonds and other fixed-income securities	80,169		80,169	96,648		96,648
Related receivables	2,214		2,214	2,561		2,561
Net total	82,383		82,383	99,209		99,209
TOTAL NET VALUE	**764,652**		**764,652**	**778,182**		**778,182**
Difference between purchase price and redemption price	63,846		63,846	66,216		66,216

During the financial year, no long-term investment 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 2018
Maturity of bonds and other fixed-income securities	4,301	4,013	57,290	14,565	80,169

(1) Total balance sheet items comprising government paper and equivalent (€1,550,007,000), bonds and other fixed-income securities (€731,300,000), shares and other variable-income securities (€39,033,000) for a total of €2,320,339,000 at 31 Dec 2018.

NOTE 3 Receivables from credit institutions

In thousands of euros	December 2018			December 2017		
	Demand	Term	Total	Demand	Term	Total
Regular accounts	815,323	0	815,323	173,960	0	173,960
Loans to credit institutions	1,507,613	10,988,097	12,495,710	2,043,293	9,761,535	11,804,827
of which interbank investment[1]	1,507,613	851,389	2,359,002	2,043,293	919,365	2,962,658
of which loan activity	0	10,136,708	10,136,708	0	8,842,169	8,842,169
Related receivables	645	65,018	65,664	120	53,747	53,867
Impairments	-2	-133,383	-133,385	-872	-136,994	-137,866
TOTAL	**2,323,579**	**10,919,732**	**13,243,311**	**2,216,500**	**9,678,288**	**11,894,788**

(1) This item includes money-market UCITS.

The amount of outstandings at the State's risk and on behalf of the State is €2,538,000.

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2018
Maturity of loans to credit institutions	998,267	828,935	3,975,926	4,333,580	10,136,708

Total outstanding doubtful loans -€130,235,000 are included in "Less than 3 months".

Details of doubtful term loans *In thousands of euros*	December 2018		December 2017	
	Gross	Impairments	Gross	Impairments
Doubtful outstandings (excluding related receivables)	130,235	125,528	130,067	129,139
of which non-performing outstanding sovereign loans[1]				
of which non-performing outstanding non-sovereign loans	111,938	111,905	113,463	112,112

(1) Granted to Governments 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 2018	December 2017
Credit to customers	26,193,310	24,280,783
Related receivables	103,352	98,772
Impairments	-337,635	-308,879
TOTAL	**25,959,027**	**24,070,676**

Outstanding credit at the State's risk was €793,602,000 at 31/12/2018.

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2018
Maturity of loans to customers	884,293	1,579,707	7,919,779	15,809,531	26,193,310

Total arrears on ordinary receivables (€25,325,000) and total doubtful loans (€621,644,000) are included in "Less than 3 months".

Details of doubtful term loans *In thousands of euros*	December 2018		December 2017	
	Gross	Impairments	Gross	Impairments
Doubtful outstandings (excluding related receivables)	621,644	337,635	520,482	308,879
• of which non-performing outstanding sovereign loans [1]	99,124	81,757	94,181	78,080
• of which non-performing outstanding non-sovereign loans	112,591	111,957	136,063	125,556

(1) Granted to Governments or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

NOTE 5 Equity stakes and other long-term investments

In thousands of euros	December 2018	December 2017
Long-term securities and equity stakes	**154,131**	**161,529**
Gross value[1]	163,428	168,202
Translation differences	-9,297	-6,673
Related receivables	0	0
Impairments	15,052	17,349
NET TOTAL	**139,078**	**144,180**

(1) The gross amount of listed shares totalled €11,524,000 in 2018.

NOTE 6 Shares in related businesses

In thousands of euros	December 2018	December 2017
Gross value	642,645	622,645
Impairments	22,555	17,070
NET TOTAL	**620,089**	**605,575**

NOTE 7 Transactions with related businesses

In thousands of euros	December 2018	December 2017
Assets		
Receivables from credit institutions	4,085,876	3,772,642
Liabilities		
Term debts to credit institutions	276,996	323,947
Off-balance sheet		
Financing commitments given	1,534,076	1,395,081
Guarantee commitments given	1,045,845	908,983

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	64.95%	100.00%
Shareholders' equity	920,347	-116,166
of which income after tax	14,890	-23
Gross book value	420,556	5,980
Net book value	420,556	0

In thousands of euros	Sogefom	Fisea
Head office	5, rue Roland-Barthes	5, rue Roland-Barthes
	75012 Paris	75012 Paris
Equity	1,102	210,000
Equity holdings	60.00%	100.00%
Shareholders' equity	13,406	130,225
of which income after tax	-534	-11,419
Gross book value	5,015	210,000
Net book value	5,015	193,423

Equity stakes of between 10% and 50%

Gross value	60,754
Net value	58,981

NOTE 9 Fixed assets and depreciation/amortisation

In thousands of euros	31/12/2017	Purchases	Sales	Transfers	31/12/2018
Gross value					
Land and development	88,589	111	-	6	88,706
Buildings and development	210,506	6,112	162	-4	216,452
Other property, plant and equipment	52,540	8,090	1,529	-2	59,098
Intangible assets	78,273	16,498	287	-	94,484
GROSS AMOUNT	**429,908**	**30,811**	**1,978**	**-**	**458,741**

In thousands of euros	31/12/2017	Purchases	Sales	Transfers	31/12/2018
Depreciation/amortisation					
Land and development	2,762	207	-	-	2,969
Buildings and development	118,179	8,460	79	-	126,560
Other property, plant and equipment	38,193	4,395	1,148	-	41,440
Intangible assets	46,455	8,993	2	-	55,446
Amount of depreciation/amortisation	**205,588**	**22,054**	**1,228**	**-**	**226,415**
Impairments	**0**				**0**
NET AMOUNT	**224,319**	**8,757**	**750**	**-**	**232,327**

NOTE 10 Other assets and liabilities

	December 2018		December 2017	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State		436,329		317,198
Allocated public funds		67,564		68,940
Guarantee funds in the French Overseas Departments		6,790		6,761
Collateral deposit	386,581	956,597	498,522	885,640
Other	21,454	427,168	12,788	442,219
TOTAL	**408,035**	**1,894,448**	**511,311**	**1,720,758**

NOTE 11 Accruals

In thousands of euros	December 2018 Assets	December 2018 Liabilities	December 2017 Assets	December 2017 Liabilities
Currency adjustment accounts on off-balance sheet items	160,881			1,856
Income and expenses resulting from *swaps*	384,539	130,988	350,936	120,921
Shared income and expenses	41,733	204,896	47,247	199,272
Other accruals	48,763	57,979	79,340	41,563
TOTAL	**635,916**	**393,863**	**477,524**	**363,612**

NOTE 12 Debts to credit institutions

In thousands of euros	December 2018 Demand	December 2018 Term	December 2017 Demand	December 2017 Term
Debts to credit institutions	115,496	275,188	143,805	306,150
Related debts	365	2,210	27	2,457
TOTAL	**115,861**	**277,399**	**143,832**	**308,607**

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2018
Maturity of loans due to credit institutions	4,465	4,738	180,333	85,653	275,188

NOTE 13 Transactions with customers

In thousands of euros	December 2018 Demand	December 2018 Term	December 2017 Demand	December 2017 Term
Accounts payable, customers	1,690	-	2,187	-
Related debts	-	-	-	-
TOTAL	**1 690**	**-**	**2 187**	**-**

NOTE 14 Debt securities in issue

In thousands of euros	December 2018	December 2017
Negotiable debt securities	478,458	680,151
Bonds	32,979,166	29,490,468
Related debts	400,742	362,009
TOTAL	**33,858,366**	**30,532,628**

In thousands of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2018
Maturity of debt securities in issue	1,873,658	2,246,482	13,117,960	15,741,066	32,979,166

NOTE 15 Provisions

Note 15.1 Table of transition of impairments and provisions (impact of change in accounting method)

	Balance at 31/12/2017					Balance at 01/01/2018				
In thousands of euros	Individual provisions	Collective provisions	Other	Total	Impact of first application	Stage 1	Stage 2	Stage 3*	Other	Total
Sovereign loans*			680,728	680,728					680,728	680,728
Performing non-sovereign loans	417,018	302,831		719,849	-172,309	9,775	120,747	417,018		547,540
Guarantees granted		13,372		13,372	563		13,935			13,935
Financing commitments to non-sovereign loans		-		-	51,765	3,950	47,815			51,765
Provisions for ARIZ and Proparco guarantees			62,842	62,842					62,842	62,842
French Overseas Department subsidiary risks			29,141	29,141					29,141	29,141
Other risks			10,138	10,138	-	-	-	-	10,138	10,138
Foreign exchange losses			5,400	5,400					5,400	5,400
Administrative expenses			636	636	-			-	636	636
Staff costs			90,213	90,213					90,213	90,213
TOTAL	**417,018**	**316,203**	**879,098**	**1,612,319**	**-119,981**	**13,726**	**182,497**	**417,018**	**879,098**	**1,492,339**

* *The change in accounting method described in § 7.1.7 of the annual financial statements had no impact on sovereign loans and Stage 3 outstanding loans.*

Note 15.2 Provisions

In thousands of euros	01/01/2018	Provisions	Reversals	Translation adjustment	31/12/2018
Sovereign loans(1)	680,728	62,797	2,535		740,990
Performing non-sovereign loans	130,522	49,636	20,768		159,390
Guarantees granted	13,935	656	4,758		9,833
Financing commitments to non-sovereign loans	51,765	23,484	7,615		67,634
Provisions for ARIZ and Proparco guarantees	62,842	10,592	1,887	2,310	73,858
French Overseas Department subsidiary risks	29,141		2,180		26,962
Other risks	10,138				10,138
Foreign exchange losses(1)	5,400	2,524			7,923
Administrative expenses(1)	636				636
Staff costs(1)	90,213	17,119	349		106,983
TOTAL	**1,075,321**	**166,809**	**40,092**	**2,310**	**1,204,349**

(1) These provisions are not recorded in "cost of risk".

NOTE 16 Subordinated debt

In thousands of euros	December 2018	December 2017
Subordinated debt	1,703,000	1,375,000
Lowest-ranked subordinated debt	-	-
Related debts	7	5
TOTAL	**1,703,007**	**1,375,005**

NOTE 17 Reserve for General Banking Risk (RGBR)

In thousands of euros	December 2017	Provisions	Reversal	Dec. 2018
Reserve for General Banking Risk (RGBR)	460,000	-	-	460,000

NOTE 18 Equity excluding RGBR

In thousands of euros	December 2018	December 2017
Provisions	2,807,999	2,807,999
Reserves	2,063,442	1,771,777
Subsidies	31,702	32,976
Unallocated income(1)	145,397	214,604
TOTAL	**5,048,540**	**4,827,354**

(1) Dividends distributed to the French State in 2018 totalled €42,921,000.

NOTE 19 Assets and liabilities in foreign currencies(1)

In thousands of euros	December 2018	December 2017
Amount of assets denominated in foreign currencies(2)	9,020,434	8,307,389
Amount of liabilities denominated in foreign currencies(2)	7,956,627	6,552,557

(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 2018	December 2017
Interest and income on transactions with credit institutions[1]	**457,512**	**415,005**
Interest on loans	263,964	233,593
Interest on short-term investments	2,279	1,494
Income from forward financial instruments	191,269	179,918
Interest and income on transactions with customers[1]	**532,854**	**512,984**
Interest and income on bonds and other fixed-income securities	**23,286**	**21,560**
Short-term investments	4,428	1,573
Long-term investments	18,858	19,988
Other interest and similar income	**572,891**	**505,312**
Income from forward financial instruments	572,891	505,312
TOTAL	**1,586,542**	**1,454,860**

(1) The amount of net reversals of provisions for interest on doubtful loans, adjusted for losses on interest on bad loans, was €3,912,000 at 31 Dec 2018 compared with €6,699,000 at 31 Dec 2017.

In thousands of euros	French Overseas Departments	French Pacific Collectivities	Foreign countries
Breakdown of revenue by geographic area:	118,239	1,916	739,031
Total revenue of €859,187,000			

NOTE 21 Interest and related expenses

In thousands of euros	December 2018	December 2017
Interest and expenses on transactions with credit institutions	**695,916**	**635,552**
Interest on accounts payable	4,379	5,036
Expenses on forward financial instruments	691,536	630,516
Interest on borrowings	-	-
Interest and expenses on transactions with customers	**26**	**-**
Interest on subordinated debts	26	-
Other interest and expenses on transactions with customers	-	-
Interest and expenses on bonds and other fixed-income securities	**546,130**	**475,942**
Interest on interbank market securities and negotiable debt securities	-1,305	-556
Interest on bonds	545,557	474,995
Interest on lowest-ranked subordinated debt	1,878	1,503
Other interest and similar income	**13,923**	**70,141**
Expenses on forward financial instruments	13,923	70,141
Interest on allocated public funds	-	-
TOTAL	**1,255,994**	**1,181,635**

NOTE 22 Commission income and expenses

In thousands of euros	December 2018	December 2017
Commission income	81,390	76,683
from subsidies	65,881	54,590
from processing	11,916	16,722
other	3,594	2,371
Commission expenses	637	592

NOTE 23 Gains or losses on investment portfolio transactions

In thousands of euros	December 2018	December 2017
Balance of investment portfolio transactions	-3,898	-731
Capital gains on disposals	20	119
Capital losses on disposals	2,676	305
Reversals of provisions for depreciation	1,051	366
Provisions for depreciation	2,293	911

NOTE 24 Other income on banking operations

In thousands of euros	December 2018	December 2017
Other income on banking operations	280,805	272,606
Subsidies	208,439	211,549
Other banking income	66,796	61,057
Net foreign exchange gains	5,570	-

NOTE 25 Other expenses on banking operations

In thousands of euros	December 2018	December 2017
Other expenses on banking operations	65,615	67,154
Other operating expenses	65,615	61,395
Net foreign currency losses	-	5,759

NOTE 26 Overheads – Staff costs

In thousands of euros	December 2018	December 2017
Wages and bonuses	172,074	156,751
Social security expenses	71,074	64,579
Profit sharing	8,417	10,490
Taxes and similar payments on remuneration	17,145	15,435
Provisions/reversal of provisions	7,735	1,723
Rebilling banks' staff	-15,030	-13,317
TOTAL	**261,415**	**235,661**

NOTE 27 Average workforce

Head office and branches (excluding institutions)	Executives	Skilled employees	Supervisors	Service staff	Stationary staff	Total 2018
	1,525	129	4	1	528	2,187

NOTE 28 Asset impairment

		December 2018			
In thousands of euros	December 2017	Provisions	Reversals	Translation adjustment	Total
Unpaid interest on loans (Notes 3 and 4)	147,898	18,687	13,463	55	153,177
Individualised risk on loans (Notes 3 and 4)	297,975	52,361	33,646	1,152	317,841
Impairment of equity stakes (Notes 5 and 6)	34,418	5,760	2,663		37,515
Impairment of short-term investments (Note 23)	1,285	2,293	1,051		2,527
TOTAL	**481,576**	**79,101**	**50,823**	**1,207**	**511,060**

NOTE 29 Cost of credit risk(1)

	December 2018			
In thousands of euros	Provisions	Reversals	Total	December 2017
Provisions (Note 15)(1)	87,368	37,209	-50,160	36,055
Depreciation of principal of doubtful loans (Note 28)	49,887	31,158	-18,730	-21,786
Losses on principal of bad loans	15,705	9,374	-6,332	-4,420
TOTAL	**152,960**	**77,740**	**-75,220**	**9,849**

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

NOTE 30 Gains or losses on fixed assets

In thousands of euros	December 2018	December 2017
Gains or losses on financial fixed assets	**-1,222**	**4,951**
Capital gains and losses	1,875	18,169
Provisions/reversals for depreciation	-3,097	-13,218
Gains or losses on other fixed assets	**-75**	**469**
TOTAL	**-1,296**	**5,420**

NOTE 31 Exceptional income

In thousands of euros	December 2018	December 2017
Exceptional gains	3,308	50
Exceptional losses	9,531	701
NET TOTAL	**-6,223**	**-650**

NOTE 32 Other off-balance sheet commitments

In thousands of euros	December 2018	December 2017
Guarantee commitments received from the French State on loans	4,128,610	3,533,063
Guarantee commitments received from credit institutions	332,990	356,683
Guarantee commitments made to credit institutions	23,480	21,424
Guarantee commitments given on securities	167,478	328,321
Guarantee commitments made to customers	2,327,416	2,235,988

NOTE 33 Commitments on forward financial instruments excluding IMF transactions[1]

	December 2018		December 2017	
In thousands of euros	notional	value[2]	notional	value[2]
Outright transactions				
Interest rate swaps (hedging transactions)	-36,060,958	425,429	-31,509,085	-305,061
Currency swaps (hedging transactions)	31,556,417	114,153	28,258,495	14,011
Commitments received	15,847,114		14,119,298	
Commitments given	15,709,303		14,139,197	
Other instruments (hedging transactions)				
Options	-337,587	1,701	-339,181	1,915

(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 2018
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	100,989	8,735,690	27,224,279	36,060,958
Currency swaps	5,195,146	11,443,847	14,917,425	31,556,417
Commitments received	2,665,475	5,778,431	7,403,207	15,847,114
Commitments given	2,529,671	5,665,415	7,514,217	15,709,303
Options	10,000	76,800	250,787	337,587

NOTE 34 Valuation of forward financial instruments excluding IMF transactions by issuer rating[1]

Banking counterparty rating *In thousands of euros*	31/12/2018 value[2]	31/12/2017 value[2]
AAA	-	-
AA	118,669	-42,112
A	581,647	616,376
BBB	127,319	126,696
NR	-2,551	-3,444
TOTAL	**825,084**	**697,516**

(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)	3	1,330
Fonds d'Investissement et de Développement Économique et Social (Fides)	5	642
Fonds d'Investissement des DOM (Fidom)	12	1,526
Other Government resources	6	18,344
TOTAL	**26**	**21,842**

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

NOTE 36 Compensation of executive officers

Gross annual compensation allocated to executive officers is €367,220.

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 years

	2018	2017	2016	2015	2014
Capital + Retained earnings + Income *(in millions of euros)*	**5,017**	**4,794**	**4,607**	**2,097**	**1,941**
Net banking income *(in millions of euros)*	637	568	539	533	449
Net income *(in millions of euros)*	145	215	138	180	121.3
Net income/capital + retained earnings + income	2.90%	4.48%	3.00%	8.58%	6.25%
Net income/balance sheet total	0.32%	0.52%	0.37%	0.51%	0.40%
Staff					
Number of employees (average)	2,187	1,978	1,811	1,715	1,685
Total payroll costs *(in millions of euros)*	261	236	210	193.8	184.8
of which social and cultural initiatives *(in millions of euros)*	19.5	20.6	16.3	13	14.3

7.5 Statutory auditors' report on the annual financial statements

EXERCICE CLOS LE 31 DÉCEMBRE 2018

To the Board of Directors of Agence Française dte Développement,

Opinion

In compliance with the assignment entrusted to us by your Board of Directors, we have audited the annual financial statements of Agence Française de Développement for the year ended 31 December 2018, as attached to this report.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

AUDITING FRAMEWORK

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities pursuant to those standards are set out in the "Responsibilities of the statutory auditors in the auditing of the annual financial statements" section of this report.

INDEPENDENCE

We carried out our audit mission in accordance with the rules of independence applicable to us from 1 January 2018 to the date of our report, and in particular we did not provide services prohibited by Article 5, paragraph 1 of Regulation (EU) No 537/2014 or the Code of Ethics for the profession of statutory auditor.

In addition, the services other than the certification of the financial statements that we provided during the financial year to your company and the entities it controls that are not mentioned in the management report or the notes to the annual financial statements are the following:

- Issuance of a comfort letter;
- KPMG S.A.'s mandatory statement on the «Climate Bond» issue;
- KPMG S.A. report on the consolidated social, environmental and societal information contained in the AFD management report;
- Report by KPMG S.A., the statutory auditor of FISEA S.A.S., on the issuance of preference shares with preferential subscription rights;
- Report by KPMG S.A., the statutory auditor of PROPARCO S.A., on the annual financial statements as at 31.12.2017 of the Africa Renewables Energy Scale Up facility, a financial instrument managed by PROPARCO S.A.

Comment

Without undermining the opinion expressed below, we would like to draw your attention to notes 1.7, 2.10, 3.15 and 3.18 to the financial statements. These notes explain the effects at 1 January 2018 of the revision of the method used to calculate provision allocations for credit risk, which was classed as a change in accounting method in the annual financial statements for the year ended 31 December 2018.

Justification of our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we are required to bring to your attention the key points of the audit relating to the risks of material misstatement, which, in our professional judgement, were greatest for the audit of the annual financial statements for the year, as well as the responses we provided to those risks.

The assessments thus made fall within the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in those annual financial statements in isolation.

Impacts of the first-time application of the revised models used to calculate the provision allocations for the credit risk of performing non-sovereign loans

Risks identified

Implementation of IFRS 9 brought about a revision of the models for calculating the provision allocations for the credit risk of performing non-sovereign loans.

The main changes are as follows:

- Financing commitments given in respect of undisbursed amounts under signed loan agreements are now taken into account;
- The overhaul of the method for calculating the collective provision allocations for performing non-sovereign loans.

The overhaul of the method for calculating provision allocations as a whole was classed as a change in accounting method.

The impact of this revision was a €120M reversal in the collective provision allocations, offset in the opening shareholders' equity in line with ANC Regulation 2018-01 and as mentioned in notes 1.7, 2.10, 3.15 and 3.18 appended to the annual financial statements.

Audit procedures implemented in response to risks identified

In this context, our work consisted in:

- reviewing the governance of the new provisioning models;
- assessing and reviewing the main methods used, the relevance of the assumptions of the provisioning model and the special processing of some exposures;
- reviewing the provision evaluation processes and the internal control procedures governing them;
- reviewing implementation of the provision calculation method for performing and non-performing loans;
- verifying the comprehensiveness of the basis on which the provision was calculated, the consistency of the parameters applied according to the methods validated, and checking the accuracy of the calculations made.

We also ensured the appropriateness of the information published in the notes on the impact of first-time application of these new provisioning models, classed as a change in accounting method.

Identification and assessment of credit risk

Risks identified

The Agence Française de Développement 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.

AFD is creating provisions to cover these risks. These are estimated as follows:

- Since 1 January 2018, the provision calculation for performing and non-performing non-sovereign exposure has been based on an anticipated losses model which, in addition to the outstandings, takes account of the performing commitments signed and the undisbursed balances of the corresponding loans. The method involves calculating expected losses based on changes in the credit risk since the outset and using a model which incorporates different parameters (probability of default, loss rate in the event of default, exposure in default, rating).
- AFD also calculates impairment on exposures in default. Theses are calculated individually and are 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 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 judgement when making the assumptions and classifying the exposure.

As a result, there is a risk that the bases for provisions identified by the Group is not exhaustive and the impairment/provisions created do not adequately cover the credit risk of the portfolio.

At 31 December 2018, AFD's annual financial statements include €471 million for impairment of assets and €243 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 created, we:

- reviewed the process for evaluating the provisions and the internal control procedures governing them;
- reviewed the governance of the provisioning processes;
- verified the consistency of data from the risk management systems with the accounting data;
- assessed the consistency of changes in provisions, receivables and the risk burden.

If the provision was calculated on a collective basis, we put in place the following substantive procedures:

- check to ensure 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 methods 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.
- satisfying ourselves that the downgrading rules for outstandings were not changed compared to the previous financial year.

We also made sure that the downgrading rules for receivables were not changed compared to the previous year and were correctly applied throughout the financial year.

Valuation of equity stakes

Risks 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 judgement 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 point of the audit, 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 significance of those amounts in the 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.

Special checks

In accordance with professional standards applicable in France, we also carried out the special checks stipulated in the legal and regulatory requirements.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS ADDRESSED TO THE BOARD OF DIRECTORS WITH RESPECT TO THE FINANCIAL POSITION AND THE ANNUAL FINANCIAL STATEMENTS

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to the Board of Directors with respect to the financial position and the annual financial statements.

Our comment relating to the accuracy and concordance with the annual financial statements of the payment term information mentioned in article D.441-4 of the French Commercial Code is as follows: as mentioned, this information does not include the bank transactions and related transactions as AFD does not believe they fall within the scope of the information to be furnished.

We certify that the statement of non-financial performance required under Article L.225-102-1 of the French Commercial Code is included in the management report, on the understanding that in accordance with Article L.823-10 of the same Code, the information in this statement has not been checked for accuracy or concordance with the annual financial statements and should be the subject of an independent third party report.

Information on corporate governance

We certify that the report of the Board of Directors on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

With regard to the information provided pursuant to the provisions of Article L. 225-37-3 of the French Commercial Code respecting compensation and benefits paid to corporate officers and the commitments made to them, we have verified their consistency with the financial statements or with the data used to prepare such statements and, where applicable, the information gathered by your company from companies that control or are controlled by your company. On the basis of this work, we have no comments to make about this information.

Other information

In accordance with the law, we have ensured that the various information relating to the acquisition of equity stakes and control and to the identity of the holders of share capital or voting rights have been communicated to you in the management report.

Information obtained from other legal and regulatory requirements

APPOINTMENT OF STATUTORY AUDITORS

KPMG S.A. was appointed as a statutory auditor for Agence Française de Développement by your Board of Directors on 3 July 2002 and Mazars on 30 April 1996.

At 31 December 2018, KPMG was in the seventeenth consecutive year of its mission and Mazars in the twenty-third year, 17 and 20 years respectively since the company's shares were admitted to trading on a regulated market.

Responsibilities of management and the persons comprising the governance of the company in the annual financial statements

It is the responsibility of management to prepare annual financial statements that present a true and fair view in accordance with French accounting rules and principles and to implement the internal controls that it deems necessary for the preparation of annual financial statements that contain no material misstatements, whether due to fraud or error.

During the preparation of the annual financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, presenting in those financial statements, as appropriate, the necessary information relating to the continuity of operations and applying the going concern accounting policy unless there are plans to wind up the company or cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit as regards procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements have been approved by the Chief Executive Officer.

Responsibilities of the statutory auditors in the auditing of the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatements. Misstatements may be due to fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that financial statement users make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission of financial statement certification does not involve guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, statutory auditors exercise their professional judgement throughout the audit. Moreover:

- they identify and assess the risks that the annual financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address those risks, and collect items they consider sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement due to fraud is higher than it is for a material misstatement due to an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing of internal controls;
- they review the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of the internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the annual financial statements;
- they assess the appropriateness of management's application of the going concern accounting policy and, according to the items gathered, the existence or non-existence of significant uncertainty related to events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information gathered up to the date of their report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If they conclude that there is significant uncertainty, they point out that uncertainty to the readers of their report on the information provided in the annual financial statements or, if such information is not provided or is not relevant, they give a qualified certification or refuse to certify;

they assess the overall presentation of the annual financial statements and evaluate whether the annual financial statements reflect the underlying transactions and events in such a way as to give a true and fair view thereof.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee that outlines the scope of the audit and the program put in place, as well as the conclusions arising from our work. We also point out, where appropriate, significant weaknesses in the internal controls that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items submitted in the report to the Audit Committee are risks of material misstatement, which we consider to have been the most important for the auditing of the annual financial statements for the year and therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration described in Article 6 of Regulation (EU) No 537-2014 confirming our independence as defined by the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for the profession of statutory auditor. As appropriate, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 4 April 2019

The statutory auditors

KPMG S.A.	MAZARS
Pascal Brouard	Nicolas De Luze
Partner	Partner

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.

I have obtained a letter from the statutory auditors stating that they have completed their assignment, which included verifying the information relating to the financial position and the financial statements provided in this document as well as reading the entire Registration Document.

Paris, 25 April 2019
Deputy Chief Executive Officer
Philippe Bauduin

8.3 Name, Address and Qualification of the Financial Statements' statutory auditors

	For 2015		For 2016		For 2017		For 2018	
Name	Mazars	KPMG Audit	Mazars	KPMG Audit	KPMG Audit	Mazars	KPMG Audit	Mazars
Represented by	Max Dongar	Arnaud Bourdeille	Max Dongar	Pascal Brouard	Pascal Brouard	Nicolas De Luze	Pascal Brouard	Nicolas De Luze
Address	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	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 of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles

8.4 Information Policy

Françoise Lombard
Director of the Executive Finance Department
Tel.: +33 (0)1 53 44 40 14

Additional information

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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 DPEF methodology**	**9.13**
Appendix 10	**DPEF appendices**	**9.14**

9.2 Incorporated by reference

Pursuant to Article 28 of Regulation 809/2004 of 29 April 2004, the following information is incorporated by reference into this Registration Document:

- the parent company and consolidated financial statements for the year ended 31 December 2016, set out on pages 117 to 137 and 74 to 114 respectively, the related Statutory Auditors' reports, pages 138 and 115 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 1 to 56 and 72 to 79 of the Registration Document submitted to the AMF on 27 April 2017 under Number D 17-0454;
- 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 27 April 2017 under Number D 18-0375.
- A description of the type of transactions carried out and the main activities for financial year 2016, on pages 5 to 8 of the 2016 Registration Document submitted to the AMF on 27 April 2017 under the reference N° D17-0454.
- 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 27 April 2018 under the reference N° D18-0375.

9.3 Cross-reference table of the Registration Document

	2018 Heading	Registration Document Reference
I	**Persons responsible**	
1.	Persons responsible for the information contained in the Registration Document	8,1
2.	Declaration of persons responsible for the Registration Document	8,2
II	**Statutory auditor**	
1.	Name and address of the issuer's financial statements' statutory auditors	8,3
2.	Statutory auditors who resigned due to dismissal or non-renewal of term	Not applicable
III	**Selected financial information**	
1.	Presentation of the historical financial information selected for the issuer for each financial year of the period covered by the financial information.	Page 3 : 1.5, 1.6, 9.2
2.	Presentation of selected financial information for the interim periods	Not applicable
IV	**Risk factors (Risk factors specific to the issuer or its sector of activity)**	4.1
V	**Information about the issuer**	
1.	History and development of the company	1.1.1
2.	Investment	7.1.4
VI	**Overview of activities**	1.3
VII	**Organisation chart**	1.5.1
VIII	**Real estate, factories and equipment**	
8.1	8.1 Large fixed assets (property, plant and equipment) and major related expenses	6.2.5 (Note 7), 6.2.3.2.5
8.2	8.2 Environmental matters that may affect the issuer's use of its property, plant and equipment	2.5.3.4
IX	**Review of financial position and results**	
1.	Financial position	5, 6, 7
2.	Operating income	5, 6, 7
X	**Cash and capital**	
1.	Information about the issuer's capital (short-term and long-term)	4.2.4
2.	Statement of the source and amount of the issuer's cash flows and description thereof	6.2.3.2.9

	2018 Heading	Registration Document Reference
3.	Information about the borrowing conditions and the issuer's financing structure	1.4
4.	Information about any restrictions on the use of capital that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	1.3.6
5.	Information about the expected sources of financing that will be required to honour the commitments referred to in points 5.2.3 and 8.1	n/a
XI	**Research and development, patents and licences**	n/a
XII	**Information about trends**	5.1.2, 5.1.4
XIII	**Earnings forecasts or estimates**	n/a
XIV	**Administrative, management, supervisory and executive bodies**	
1.	Administrative and management bodies	3.1.1, 3.1.2, 3.1.3
2.	Conflicts of interest at administrative and management body level	3.1.3
XV	**Compensation and benefits**	3.1.5, 3.2.3
1.	Value of the compensation paid and benefits in kind	3.1.4; 3.1.5; 3.2; 6.2.5 (Note16); 6.2.5.3;7.3 (Notes 26 and 36)
2.	Total amount set aside or booked for pension, retirement and other benefits	6.2.3.2.6, 6.2.5.3, 7.2.10
XVI	**Operation of administrative, management and supervisory bodies**	3.1, 3.2
1.	End of current mandates	3.1
2.	Service agreements binding on the members of the administrative bodies	3.1.3
3.	Information about the Audit Committee and the Compensation Committee	3.1.3, 4.3.1
4.	Corporate governance applicable in the issuer's country of origin	c. com art. L225-37
XVII	**Employees**	
1.	Number of employees	Appendix 10.2
2.	Equity stakes and stock options	2.8.3.1, 3.1.4, 3.2.2.2
3.	Issuer's Employee Profit Share Agreement	n/a
XVIII	**Main shareholders**	n/a
XIX	Related-party transactions	6.2.7.3
XX	Financial information about the issuer's assets and liabilities, financial position and income	
1.	Historical financial information.	5, 6, 7
2.	Pro forma financial information	5, 6, 7
3.	Financial statements	5, 6, 7
4.	Verification of annual historical financial information	6.3, 6.4, 7.5
5.	Date of most recent financial information	5, 6, 7
6.	6. Interim and other financial information	n/a
7.	7. Description of the dividend distribution policy and restriction applicable thereto	1.1.5, 6.1.5
8.	8. Statement of governmental, judicial or arbitration proceedings	4.3.6.2
9.	9. Description of any material change in the group's financial or trading position	5.1.1, 5.1.5
XXI	Additional information	
1.	Share capital	1.1.2
2.	Memorandum of association and bylaws	3.1.2, 3.1.6
XXII	Major contracts	n/a(1)
XXIII	Information from third-parties, expert opinions and statements of interests	2.9, 6.3, 6.4, 7.5
XXIV	Documents available to the public	1.1.1
XXV	Information about investments	1.5.1, 1.5.2, 1.5.3, 4.2.4.1.1.2, 4.2.4.4

(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
		e/	3.1
436	Access to the activity of credit institutions and supervisory review of credit institutions and investment companies	a/	1.1
		b/	4.2.2.2
		c/	4.2.2.2
		d/	n/a
		e/	n/a
437	Capital	a/	4.2.4
		b/	4.2.4
		c/	4.2.4
		d/	4.2.4.1
		e/	4.2.4.1
		f/	n/a
			n/a
			n/a
438	Capital requirements	a/	4.2.4.2
		b/	4.2.4.2
		c/	4.2.4.2
		d/	4.2.4.2
		e/	n/a
		f/	4.2.3.2
439	Counterparty credit risk exposure	a/	6.2.6.1
		b/	4.2.4.1.3
		c/	n/a
		d/	n/a
		e/	4.2.5.1.1.2
		f/	4.2.5.1.2
		g/	n/a
		h/	n/a
		i/	n/a

CRR article	Title		Paragraph
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/	4.2.5.1.1.1
		d/	4.2.5.1.1.2
		e/	4.2.5.1.1.2
		f/	4.2.5.1.1.3
		g/	4.2.5.1.1.4
		h/	4.2.5.1.1.4
		i/	4.2.5.1.1.5
443	Unencumbered assets		n/a
444	Use of ECAI		4.2.5.1.2
		a/	4.2.5.1.2
		b/	4.2.5.1.2
		c/	4.2.5.1.2
		d/	4.2.5.1.2
		e/	4.2.5.1.2
445	Market risk exposure		n/a
446	Operational risk		n/a
447	Non-trading book equities exposure	a/	6.2.3.2
		b/	4.2.5.1.1.2; 6.2.5 (Note 3, 4 and 5)
		c/	4.2.5.1.1.2; 6.2.5 (Note 3, 4 and 5)
		d/	4.2.5.1.1.2; 6.2.5 (Note 3, 4 and 5)
		e/	4.2.5.1.1.2; 6.2.5 (Note 3, 4 and 5)
448	Interest rate risk exposure for non-trading portfolio positions	a/	6.2.6.3
		b/	6.2.6.3
449	Securitisation exposure		n/a
450	Compensation policy		3.1
		b/	3.1
		c/	3.1
		d/	n/a
		e/	n/a
		f/	n/a
		g/	3.1
		h/	3.1
		i/	n/a
		j/	3.1
			3.1
			3.1
451	Leverage	a/	n/a
		b/	n/a

CRR article	Title		Paragraph
		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/	4.2.5.1.3
		b/	4.2.5.1.3
		c/	4.2.5.1.3
		d/	4.2.5.1.3
		e/	4.2.5.1.3
		f/	4.2.5.1.3
		g/	4.2.5.1.3
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
Gabon	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 wto 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	Southern 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

* Countries of the regional cooperation mandate.

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 8 February 2018 with a special climate change adaptation/biodiversity protection remit
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 8 February 2018 with a special climate change adaptation/biodiversity protection remit
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 at 31 December 2018

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 2018

ASSETS

In millions of euros	2018	2017	Change
Loans (net outstanding)	35,433	31,946	3,487
of which net loans on AFD's own behalf	*32,652*	*30,295*	*2,357*
Gross outstandings	35,736	32,241	3,495
of which loans on AFD's own behalf	*32,955*	*30,590*	*2,365*
of which Loans on behalf of the State	*2,780*	*1,651*	*1,130*
(-) individual impairments	471	446	25
(+) accrued interest	168	151	17
IMF-PRGF transactions	1,487	1,493	-5
Investment portfolio	764	778	-14
Short-term cash assets	5,314	4,825	488
Equity stakes	759	749	10
Fixed assets	232	224	8
Accruals and other assets	968	914	54
TOTAL	**44,958**	**40,929**	**4,028**

LIABILITIES

In millions of euros	2018	2017	Change
Market borrowings	32,378	29,052	3,326
Borrowings from French Treasury	1,703	1,375	328
Current accounts	394	454	-60
IMF-PRGF transactions	1,487	1,492	-5
Managed funds and government advances	826	723	103
Accruals and other liabilities	1,488	1,383	105
Provisions	1,204	1,195	9
Capital and retained earnings	5,331	5,040	292
Net income	145	215	-69
TOTAL	**44,958**	**40,929**	**4,028**

9.7 Appendix 3 – AFD simplified income statement based on French GAAP

AFD income statement 2017-2018

Expenses *In millions of euros*	2018	2017	Change	Income	2018	2017	Change
Expenses on borrowings	**1,154.4**	**1,098.1**	**56.3**	**Income on loans and guarantees**	**1,454.3**	**1,329.8**	**124.5**
• Interest on borrowings	491.4	421.2	70.2	• Interest and commissions on loans and guarantees	869.4	823.9	45.5
• Expenses on *swaps*	672.0	664.8	7.2	• Income on *swaps*	698.5	616.5	82.0
• Net foreign exchange balance	-9.0	12.2	-21.2	• Net provisions for unpaid interest	-5.2	-2.4	-2.8
				• Loss of interest income	-0.6	-4.4	3.8
				• Net provisions for sovereign outstandings	-60.3	-59.2	-1.1
				• Recoveries on subsidy account for SAL and mixed loan-grants	3.8	5.8	-2.1
				• Repayment of Proparco margin	-51.2	-50.4	-0.8
				Subsidies	197.2	197.9	-0.7
				Investment income	15.0	18.6	-3.7
				Income from equity stakes	14.8	17.5	-2.6
				Commissions on operations	73.7	60.8	12.9
				• AFD fees, donations, SAS, SAL, C2D	51.0	41.9	9.1
				• Other commissions	22.6	18.9	3.8
Miscellaneous financial expenses	**23.1**	**8.6**	**14.5**	**Ancillary income and miscellaneous**	**59.2**	**49.8**	**9.4**
Expenses on IMF-PRGF transaction	**5.1**	**5.2**	**-0.2**	**Income from IMF-PRGF transaction**	**5.8**	**6.0**	**-0.2**
TOTAL EXPENSES ON BANKING OPERATIONS	**1,182.6**	**1,112.0**	**70.6**	**TOTAL INCOME ON BANKING OPERATIONS**	**1,820.0**	**1,680.5**	**139.5**
Net of expenses on IMF-ESAF transaction	*1,177.5*	*1,106.7*	*70.7*	*Net of income from IMF-PRGF transaction*	*1,814.2*	*1,674.5*	*139.7*
Net banking income	**637.4**	**568.5**	**68.9**				
Overheads	**387.2**	**348.4**	**38.9**				
• Staff costs	261.4	235.7	25.8				
• Taxes and similar payments	6.9	7.1	-0.2				
• Other general expenses	119.0	105.6	13.4				
Depreciation/amortisation expenses on property, plant and equipment and intangible assets (net)	**22.1**	**20.2**	**1.9**				
Total expenses on non-banking operations	409.3	368.5	40.8				
Gross operating income	**228.1**	**200.0**	**28.2**				
Cost of risk	**-75.2**	**9.8**	**-85.1**				
Net provisions for unpaid interest	-21.7	-21.8	0.1				
Net provisions for risk and expenses	-47.2	36.0	-83.2				
Loss of principal on bad loans	-6.3	-4.4	-1.9				
Operating income	**152.9**	**209.8**	**-56.9**				
Gains or losses on fixed assets	-1.3	5.4	-6.7				
Income from operations	**151.6**	**215.3**	**-63.6**				
Net exceptional transactions	-6.2	-0.7	-5.6				
Corporate tax	0.0	0.0	0.0				
NET INCOME	**145.4**	**214.6**	**-69.2**				

9.8 Appendix 4 – Key ratios and indicators

In thousands of euros	2018	2017
Net banking income	**637,438**	**568,492**
Staff costs	41.0%	41.5%
Net banking income		
Cost-to-income ratio		
General expenses	64.2%	64.8%
Net banking income		
Benefit-cost ratio		
Net earnings	3%	4.7%
Capital + retained earnings*		
Efficiency ratio		
Net earnings	0.32%	0.52%
Balance sheet total		
Staff		
Number of employees (average)	2,187	1,978
Total payroll costs	261,415	235,661
Of which social and cultural activities	19.5	21
Net income	**145,397**	**214,604**
Distributed income	**42,921**	**27,642**

* *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 DTC)

	2018	2017	2016	2015	2014
Capital + Retained earnings + Income *(in millions of euros)*	5,017	4,794	4,607	2,097	1,941
Net banking income *(in millions of euros)*	637	568	539	533	449
Net income *(in millions of euros)*	145	215	138	180	121.3
Net income/capital + retained earnings + income	2.90%	4.48%	3.00%	8.58%	6.25%
Net income/balance sheet total	0.32%	0.52%	0.37%	0.51%	0.40%
Staff					
Number of employees (average)	2187	1978	1811	1,715	1,685
Total payroll costs *(in millions of euros)*	261	236	210	193.8	184.8
of which social and cultural initiatives *(in millions of euros)*	19.5	20.6	16.3	13	14.3

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 2018	Approvals 2017	Approvals % of total in 2018	Disbursements 2018	Disbursements 2017	Disbursements % of total in 2018
1- Ongoing operations	8,101	6,576	99%	4,247	3,693	99%
Loans	**7,308**	**5,916**	**90%**	**3,916**	**3,404**	**91%**
Sovereign concessional loans	5,179	3,997	63%	2,577	2,609	60%
of which loans with direct concessionality	*2,776*	*2,106*	*34%*	*1,053*	*1,005*	*24%*
of which loans with indirect concessionality	*2,403*	*1,890*	*29%*	*1,524*	*1,604*	*35%*
Non-sovereign loans	2,129	1,919	26%	1,338	795	31%
of which concessional loans	*326*	*652*	*4%*	*381*	*274*	*9%*
of which non-concessional loans	*1,802*	*1,268*	*22%*	*957*	*521*	*22%*
of which sub-participations granted to Proparco	*417*	*250*	*5%*	*91*	*91*	*2%*
Ongoing subsidies	**572**	**407**	**7%**	**331**	**278**	**8%**
Project and FEXTE subsidies	489	335	6%	248	201	6%
Funding for NGOs	83	72	1%	83	77	2%
Guarantees	**222**	**153**	**3%**	**0**	**0**	**0%**
Equity stakes	**0**	**100**	**0%**	**0**	**10**	**0%**
2- Mandate-specific operations	55	63	1%	53	55	1%
Global Budget Support (GBS) subsidies	55	63	1%	53	55	1%
Mesofinance actions	0	0	0%			0%
TOTAL FOR FOREIGN COUNTRIES	**8,156**	**6,639**	**100%**	**4,300**	**3,748**	**100%**

AFD approvals and disbursements by type of loan - Overseas

In millions of euros	Approvals 2018	Approvals 2017	Variance 2018/2017 €m	Variance 2018/2017 %
Ongoing operations	822	985	-163	-17%
Loans	**821**	**981**	**-159**	**-16%**
Public sector	*688*	*842*	*-154*	*-18%*
Subsidised loans to local authorities	*322*	*229*	*93*	*41%*
Other loans – public sector	*366*	*613*	*-247*	*-40%*
Private sector	*133*	*139*	*-5*	*-4%*
Direct financing	*83*	*139*	*-55*	*-40%*
Banks	*50*	*0*	*50*	
Mayotte subsidy	**0**	**2**	**-2**	**-100%**
Guarantees[(1)]	**1**	**2**	**-1**	
Guarantees granted to the public sector			*0*	
Guarantees granted to the banking sector			*0*	
French Overseas Department Fund			*0*	
SPM and Mayotte guarantee funds	*1*	*2*	*-1*	
Equity stakes	**0**	**0**	**0**	

(1) The guarantees presented above do not include Sogefom approvals (€31,6M in 2018) and FOGAP approvals (€1,16M in 2018).

9.11 Appendix 7 – Summary table of AFD's and Proparco's loans in foreign countries[1]

AFD and Proparco account for 99% of the Group's balance sheet total and represent the bulk of consolidated income (99% of NBI). The geographic distribution of loans granted by AFD on its own behalf and by Proparco in foreign countries is presented in the table below. Sub-participation loans with Proparco (joint financing) at AFD's risk are not included in AFD's figures.

Situation at 31 December 2018 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	46,560	7,112	720,596	74,906	326,277	96,078
Algeria	-	-	65,179	-	-	-
Angola	-	-	-	-	220,096	-
Argentina	4,367	-	4,367	5,033	360,631	85,597
Armenia	9,000	9,293	93,352	26,858	31,000	-
Azerbaijan	18,464	-	18,464	-	185,747	-
Bangladesh	50,711	24,582	81,669	59,133	400,332	-
Benin	5,145	-	21,571	13,193	211,556	-
Burma	-	-	96	23,739	156,904	6,988
Bolivia	24,500	-	124,500	5,010	195,142	-
Botswana		-		-	15,722	-
Brazil	37,235	19,897	1,342,601	282,292	205,716	76,426
Burkina Faso	30,561	-	191,380	10,909	210,332	-
Burundi	-	-	-	-	-	-
Cambodia	54,942	13,499	221,801	39,576	211,724	12,228
Cameroon	215,561	-	901,533	35,554	411,913	-
Cape Verde	3,407	-	46,596	-	11,687	-
Central African Republic	-	-	2,880	-	-	-
Chile	-	34,252	-	51,693	-	-
China	30,531	-	663,501	15,050	581,659	43,672
Colombia	403,396	-	1,953,430	95	26,203	24,000
Comoros	-	-	76	-	-	-
Congo	17,287	-	40,783	-	277,465	-
Cook Islands	-	-	-	-	-	-
Costa Rica	-	17,175	-	94,058	17,469	34,938
Côte D'ivoire	35,000	20,000	169,230	164,595	465,000	15,500
Cuba	3,000	-	3,220	-	121,000	-
Djibouti	40	-	40,038	-	394	-
Dominican Rep.	5,820	8,920	434,120	58,980	189,581	4,247
El Salvador	-	3,051	-	34,873	-	39,305
Egypt	116,630	14,571	723,312	27,430	906,847	104,429
Ecuador	86,250	52,406	211,872	70,323	393,711	91,711
Ethiopia	12,876	-	173,150	85	233,664	13,975
France	-	-	25,000	-	-	-
Gabon	83,838	11,279	323,757	23,873	289,216	8,656
Gambia	-	-	-158	-	-	-

	Disbursements		Outstandings		Undisbursed Balance	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
Georgia	85,000	5,784	85,175	39,165	35,000	21,489
Ghana	40,691	25,689	421,491	119,405	135,735	-
Grenada	-	-	26	-	-	-
Guatemala	-	6,551	-	6,551	-	19,652
Guinea	267	-	33,737	-	59,733	24,000
Guinea-Bissau	-	-	-	-	-	-
Equator. Guinea	-	-	201	-	-	-
Haiti	-	-	-	112	-	23,932
Honduras	-	34,273	-	110,459	-	-
Dominica	-	-	19,616	-	-	-
India	264,641	27,000	848,042	127,958	750,003	56,382
Indonesia	373,057	-	1,497,387	9,647	77,362	-
Iraq	-	-	381,730	-	48,321	52,406
Jamaica	-	17,792	-	76,330	-	30,586
Jordan	103,532	34,017	724,306	197,190	362,600	9,553
Kazakhstan	-	8,124	-	7,399	-	-
Kenya	95,117	-	803,903	182,568	1,059,372	77,789
Laos	-	-	9,009	29,273	-	4,367
Lebanon	-	15,722	133,670	43,251	250,428	-
Liberia	-	-	-	1,847	-	-
Libya	-	-	-	-	-	-
Madagascar	9,376	5,499	52,906	21,655	136,043	8,345
Maldives	-	-	13,382	-	-	-
Mali	16,510	1,524	156,535	14,772	250,861	-
Morocco	79,942	3,000	2,001,283	94,088	955,308	-
Mauritius	12,720	88,433	299,188	104,735	91,391	-
Mauritania	3,984	-	131,263	-	19,643	4,000
Mexico	28,190	-	1,179,847	18,596	459,945	86,659
Mongolia	-	-	-	2,991	-	-
Montenegro	-	-	-	19,700	-	-
Mozambique	8,790	37,233	189,885	40,319	44,098	21,836
Multi-Country	466,757	141,453	2,938,163	292,579	643,822	206,741
Myanmar (Formerly BURMA)	96	2,547	-	-	-	-
Namibia	15,375	-	53,307	899	-	-
Nepal	-	-	-	-	-	-
Nicaragua	-	19,593	-	67,083	-	-
Niger	3,030	8,900	92,625	26,350	196,807	16,000
Nigeria	62,698	28,022	301,701	184,298	1,304,528	148,269
Uganda	58,222	6,459	133,165	61,938	520,199	35,374
Uzbekistan	50	-	800	-	173,480	-
Pakistan	56,315	5,931	251,643	37,120	589,973	-
Panama	-	40,486	-	155,301	4,367	-
Paraguay	-	-	-	32,744	-	-

	Disbursements		Outstandings		Undisbursed Balance	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
Peru	70,820	9,292	118,135	40,770	187,318	-
Philippines	100,000	-	373,270	-	68,894	-
Dr Congo	-	-	70,130	2,382	-	6,551
Rwanda	-	-	5,459	-	17,469	13,102
Saint Lucia	-	-	2,976	-	-	-
Sao Tome	-	-	-	-	-	-
Serbia	-	23,024	-	23,057	-	10,576
Senegal	106,885	3,500	704,778	57,251	605,501	9,000
Seychelles	6,700	-	10,000	-	16,500	-
Sierra Leone	-	-	-	-	-	-
Somalia	-	-	94,344	-	-	-
Sudan	-	-	-	-	-	-
Southern Soudan	-	-	-	-	-	-
Sri Lanka	14,425	-	96,371	86,161	465,249	21,836
St-Vincent-Gren	-	-	295	-	-	-
Suriname	241	-	34,635	-	17,067	-
Syrian Rep.	-	-	-	-	-	-
Tajikistan	-	-	-	1,622	-	-
Tanzania	21,678	-	140,070	21,112	433,757	10,481
Chad	40,000	-	81,913	5,769	-	-
Pales. Auton. Areas	8,648	1,627	10,804	8,734	16,352	-
Thailand	5,700	-	8,700	-	-	-
Togo	-	-	1,167	23,150	40,000	-
Tunisia	54,300	-	815,107	75,764	893,948	15,000
Turkey	137,932	69,736	1,120,235	474,027	297,860	11,976
Uruguay	-	-	-	10,700	-	-
Vanuatu	-	-	653	-	-	-
Vietnam	15,371	-	790,267	19,736	577,060	-
Yemen	-	-	1,385	-	-	-
Zambia	-	-	76,521	48,411	84,939	-
Zimbabwe	-	-	-	919	-	-
TOTAL	**3,662,179**	**907,248**	**25,909,113**	**4,143,147**	**18,547,918**	**1,603,649**
AGGREGATE TOTAL	**4,569,428**		**30,052,260**		**20,151,566**	

(1) Not restated for IFRS adjustments, outstandings remitted, convertible bonds and Proparco outstandings on behalf of third parties.

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9.12 Appendix 8 – Table of Proparco's approvals

Country *In millions of euros*	Own lending		Equity stakes		Other investments		Guarantees	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Côte d'Ivoire	15.5	-	-	20.0	-	-	-	-
Ghana	-	12.5	-	-	-	-	-	-
Guinea	24.0	-	-	-	-	-	-	-
Mali	-	4.6	-	-	-	-	-	-
Nigeria	34.3	60.4	21.8	-	-	-	-	-
Senegal	-	12.5	-	-	-	-	-	-
Multi-country West Africa	11.0	-	0.0	-	-	-	-	-
West Africa	84.8	90.0	21.8	20.0	-	-	-	-
Cameroon	30.0	3.0	-	-	-	-	-	19.1
Ethiopia	-	0.8	-	-	-	-	-	-
Kenya	19.7	27.8	0.9	31.0	-	-	-	-
Uganda	11.4	30.7	-	-	-	-	-	16.8
Rwanda	-	14.0	-	-	-	-	-	-
Tanzania	-	-	0.2	-	-	-	-	-
Multi-country Central and East Africa	-	15.0	10.0	-	-	-	-	-
Central & East Africa	61.2	91.4	11.1	31.0	-	-	-	35.9
South Africa	45.1	15.0	-	-	-	-	-	-
Mozambique	-	38.2	10.0	-	-	-	-	-
Namibia	-	-	-	-	-	-	-	37.0
Southern Africa	45.1	53.2	10.0	-	-	-	-	37.0
Multiple countries Sub-Saharan Africa	15.0	15.0	27.3	42.7	30.7	9.4		
Madagascar	-	15.0	-	-		-	-	-
Mauritius	42.9	-	-	-	-	-	-	-
Indian Ocean	42.9	15.0	-	-	-	-	-	-
Egypt	-	63.6	5.0	-	-	-	-	-
Iraq	24.4	-	-	-	-	-	-	-
Lebanon	15.0	-	-	-	-	-	-	-
Morocco	-	16.0	16.9	10.0	1.5	-	-	-
Mauritania	4.0	-	-	-	-	-	-	-
Tunisia	15.0	-	-	8.6	-	-	-	-
Turkey	20.0	51.0	-	-	-	-	-	-
Multi-country North Africa		-	-	10.0		-	-	-
North Africa and Mediterranean	78.4	130.6	21.9	28.6	1.5	-	-	-
Armenia	-	9.3	-	-	-	-	-	-
Bangladesh	-	10.7	-	-	-	-	-	-
Cambodia	24.8	2.6	-	3.7	-	-	-	-
China	21.6	-	-	-	-	-	-	-
Georgia	-	35.2	-	-	-	-	-	-
India	24.0	18.0	33.2	12.7	-	-	-	-
Indonesia	-	-	-	-	-	-	-	-

Country *In millions of euros*	Own lending 2018	Own lending 2017	Equity stakes 2018	Equity stakes 2017	Other investments 2018	Other investments 2017	Guarantees 2018	Guarantees 2017
Kazakhstan	-	8.5	-	-		-	-	-
Laos	8.5	-	-	-	-	-	-	-
Malaysia	-	-	3.3	-	-	-	-	-
Myanmar	7.0	-	-	-	-	-	-	-
Pakistan	-	4.7	6.0	-	-	-	-	-
Sri Lanka	-	21.2	-	-	-	-	-	-
Multi-country Asia	-	-	-	26.4	-	-	-	-
Asia	85.9	110.1	42.4	42.8	-	-	-	-
Argentina	49.6		10.0	-	-	-	-	-
Brazil	34.3	50.0	20.5	-	-	-	-	-
Colombia	-	24.0	-	-	-	-	-	-
Costa Rica	17.1	30.3	-	-	-	-	-	-
Ecuador	55.8	-	-	-	22.1	-	-	-
Guatemala	25.8	-	-	-	-	-	-	-
Haiti	22.8	-	-	-	-	-	-	-
Honduras	30.4	4.0	-	-	-	-	-	-
Jamaica	-	45.8	-	-	-	-	-	-
Mexico	25.0	-	-	4.2	-	-	-	-
Nicaragua	15.1	-	-	-	-	-	-	-
Panama	-	20.0	-	-	-	-	-	-
Peru	8.6	-	12.8	-	-	-	-	-
Dominican Rep.	-	14.4	-	-	-	-	-	-
El Salvador	53.0	12.7	-	-	-	-	-	-
Multi-country Latin America and Caribbean	17.2	-	-	36.0	-	-	-	-
Latin America and Caribbean	354.8	201.2	43.3	40.2	22.1	-	-	-
France's overseas provinces	-	-	-	-	-	-	-	-
Serbia	40.0	-	-	-	-	-	-	-
Ukraine	-	-	9.8	-	-	-	-	-
Europe	40.0	-	9.8	-	-	-	-	-
Multi-country	6.4	50.4	65.3	39.2	-	-	-	-
Multi-country	6.4	50.4	65.3	39.2	-	-	-	-
TOTAL	**814.4**	**756.8**	**252.9**	**244.6**	**54.3**	**9.4**	**-**	**72.9**

9.13 Appendix 9 – Note on DPEF methodology

- **Reporting period**

The data collected covers the period from 1 January to 31 December of year N. The data is submitted annually.

- **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 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.

- **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)**

Some of the report indicators were introduced in financial year 2018 so a historical comparison is not possible.

- **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 (97.7% 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 (56.1% of the Group's headcount);
  - **AFD Paris head office**: AFD head office excluding Marseille site: Barthes, Mistral and Vivacity buildings (55.3% 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 L225-102-1 of the French Commercial Code is effectively included in the management report.

The independent third-party body must be instructed to verify the DPEF. 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 DPEF);
- 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, are not considered to be relevant because of the nature of AFD Group's activities: the circular economy, combating food waste, combating food poverty, respect for animal welfare, respect for responsible, respect for responsible, fair and sustainable food.

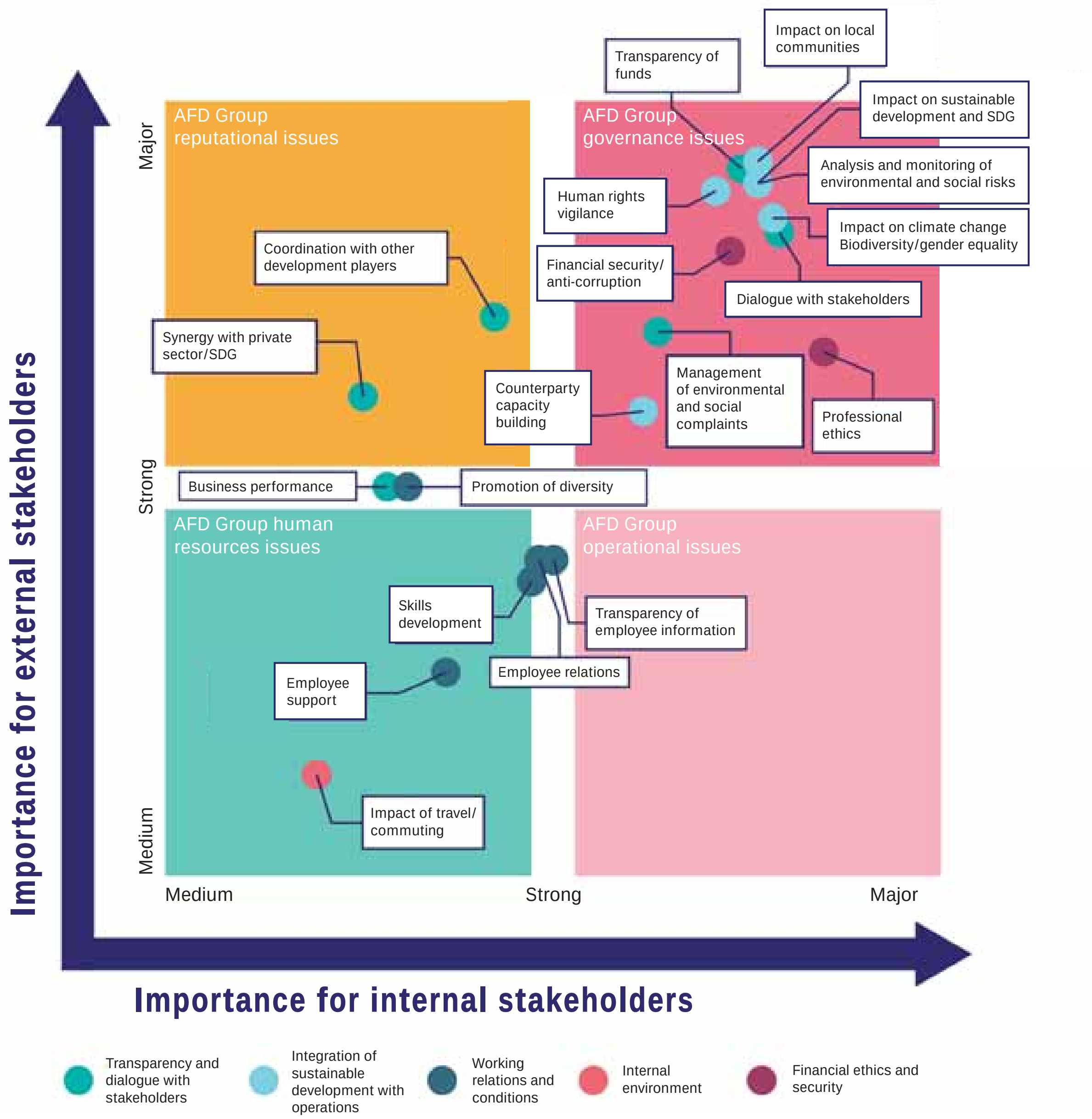
- **Non-financial performance declaration indicators**

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	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 authorisations for specific capacity building tools	AFD	Stronger project management
Initiatives engaged for preventing corruption, fraud, money laundering and the financing of terrorism	Group	Fraud Compliance(1)
Number of people who validated their AML/CFT training (modules 1 and 2)	Group	Fraud 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)[1]	Skills development
Global training effort	Group[2]	Skills development
Training for local employees: number of employees and training hours	Group (local employees only)[3]	Skills development
Collective agreement evaluation	Group[4]	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".
[1] Chargeable training sessions, SAM AFD/Proparco/IE, Head Office and Network employees, excluding local employees.
[2] All chargeable + non-chargeable training sessions, all AFD/Proparco/IE Head Office and Network employees, including local employees.
[3] Local AFD/Proparco/IE employees, training organised by the HR department at Head Office or in the network.
[4] NB: the scope may vary according to the agreement.

9.14 Appendix 10 – DPEF appendices

Appendix 10.1 materiality matrix



Appendix 10.2 : 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 2018

Employees	End-2017	End-2018
Mainland France[(1)]	1,389	1,565
Foreign and representation offices in the countries of operation	180	195
Technical assistance	2	2
Temporary assignments	33	34
Group head office[(1)]	**1,604**	**1,796**
French Overseas Collectivities	109	107
Foreign countries[(2)]	492	515
Group staff recruited locally[(2)]	**601**	**622**
AFD GROUP TOTAL	**2,205**	**2,418**
Overseas reserve bank head office[(1)]	74	57
Overseas reserve bank local hires	252	*
OVERSEAS RESERVE BANK TOTAL	**326**	**57**
TOTAL STAFF MANAGED BY THE GROUP	**2,531**	**2,475**
AFD Group VIA/VSC[(3)]	123	141
Overseas reserve bank VSC[(3)]	8	6
INTERNATIONAL VOLUNTEERS TOTAL (VIA/VSC)	**131**	**147**

(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).*
* *Change of scope following the end of the UES.*

Today, AFD Group has 2,475 employees worldwide, which is 182 fewer than in 2017 because of the UES[(1)] coming to an end.

The 1,853 head office employees, recruited in Paris (175 more than in 2017) break down as follows:

- 1,795 AFD Group head office employees;
- 57 head office employees seconded to French Overseas reserve banks.

The 622 locally hired employees (down 231 on 2017) are all AFD employees.

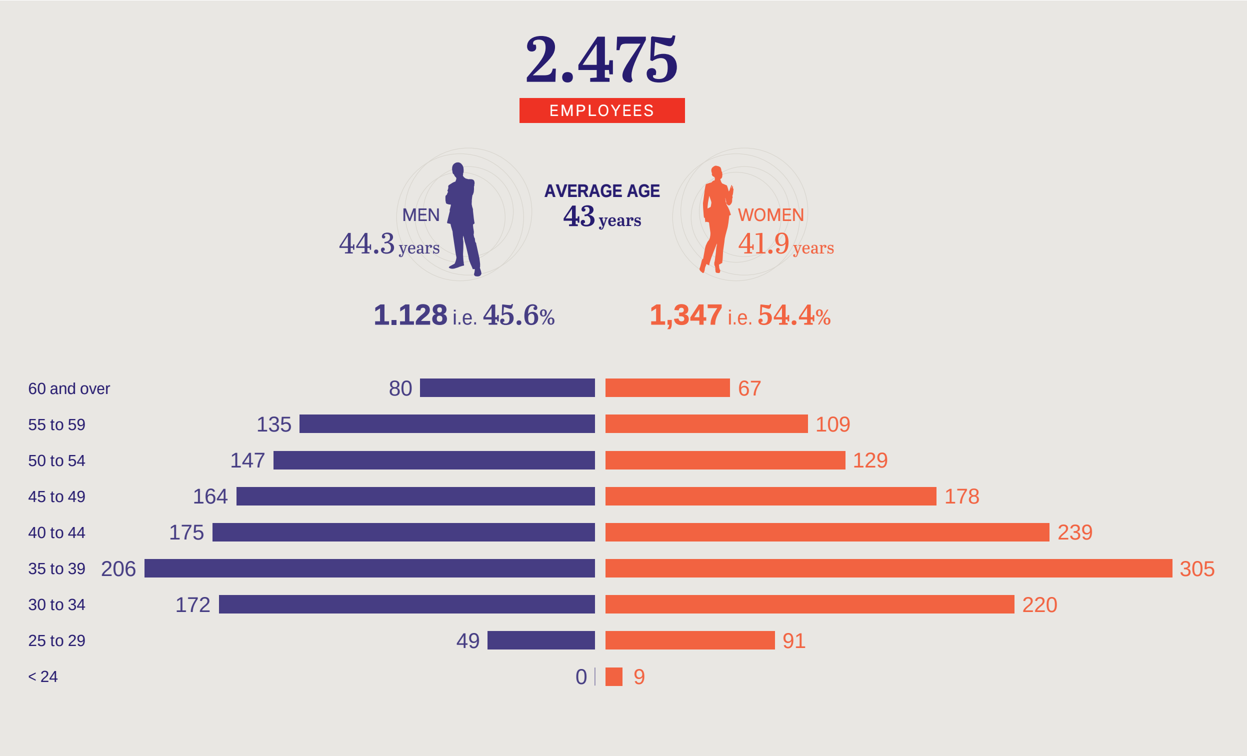
For several years, AFD has strengthened its local skills base, particularly by recruiting highly qualified managers in its local offices.

(1) *Economic and social union between AFD-IEDOM IEOM-Proparco-CEFEB.*

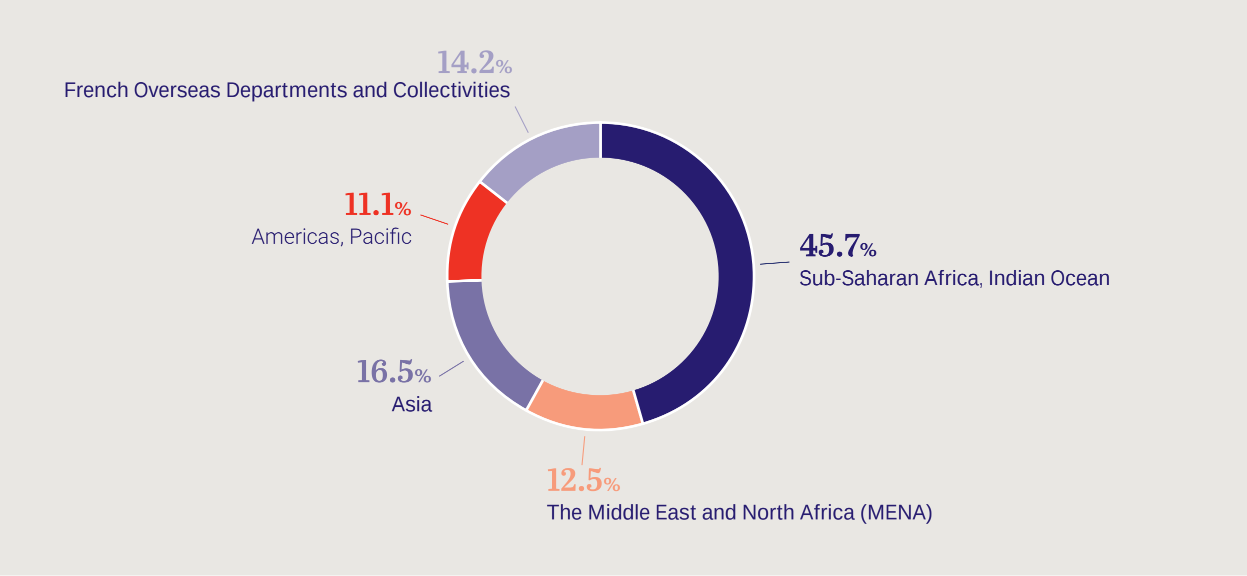
Employees by gender and age

Total staff managed by the Group broken down according to gender and age range in 2018 (at 31 December 2018)

At the end of 2018, 54.4% of AFD Group employees are women. Their average age is 41.9 years old compared to 44.3 years old for men.



Breakdown of employees per geographic area



New hires and dismissals

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	**242**	**89**	**331**

External departures of Group employees

In 2018, the total number of permanent departures worldwide * (excluding suspensions of contract) totalled 150 (73 head office employees and 77 employed locally).

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Retirement	27	8	35	1.4%
Voluntary redundancy	7		7	0.3%
Resignation	16	21	37	1.5%
End of civil servant secondment	6		6	0.2%
End of definite-term contract		41	41	0.7%
End of trial period	10	1	11	0.4%
Dismissals	5	5	10	0.4%
Death	2	1	3	0.1%
TOTAL	**73**	**77**	**150**	**6.1%**

* *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	2016
Average gross annual salary	71.2	72

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 2018, 13,810.5 days were lost to illness for head office employees on permanent (CDI) and fixed term (CDD) contracts (of which 201 days for CDD employees), which equates to an absenteeism rate of 2.9% (2.9% for CDD).

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

There were 11 work- or travel-related accidents requiring time off in 2018 (14 in 2017), with 273 days lost to accidents over the year (182 in 2017).

The frequency rate was 4.68 (6.69 in 2017) and the severity rate 0.12 (0.09 in 2017).

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

Measures taken to promote equality between men and women

- Recruitment: 56.2% of women hired;
- Women in supervisory positions: 42.2% of women in managerial positions (Head Office and network);
- Women in the network: 33.5%.

Measures taken to promote the employment and integration of disabled people

- 45 disabled employees in 2018;
- 9 disabled employees recruited.

Appendix 10.3: Environmental indicators and information (Act 2010-788 aka Loi Grenelle II)

Indicator and scope	2018 Value
Pollution and waste management	
Waste production (scope: Head Office)	
Total production	227.6 T/year
of which paper/cardboard	*73.25 T*
Per employee	148kg/employee
Sustainable use of resources	
Water consumption (scope: AFD Paris Head Office)	12,404m3/year
Raw materials consumption (scope: Head office, excluding service providers)	
• Total paper consumption	70 T/year
• Paper consumption per employee	46kg/employee
• Energy consumption NFA [1] AFD (Head Office and Proparco)	6,246 MWh/year

(1) Net floor area (excluding plant rooms).

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