Financial statements as of

30 June 2020

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

1. Management report

1.1. AFD Group activities

Approvals

Total approvals (AFD and Proparco on their own behalf) amounted to €4,036M at 30 June 2020 versus €3,122M at 30 June 2019. This increase concerns both activities on its own behalf (foreign countries and French Overseas Departments and Collectivities) and activities on behalf of third parties.

As regards current activity in foreign countries, there was an increase in authorisations at 30 June 2020 of +€277M (8%), due mainly to the refinancing of PROPARCO (€300M) and activity on behalf of the French State (€308M).

It should also be noted that while sovereign concessional loans decreased slightly (-€37M), this change breaks down into a €238M increase in loans with direct concessionality and a €276M decrease in loans with indirect concessionality. In addition, non-sovereign loans fell by €169M.

Activities on behalf of third parties in foreign countries were up €378M at 30 June 2020. This increase is due mainly to activity on behalf of the French State (€308M).

In **French Overseas Departments and Collectivities**, there has been a marked increase in the number of authorisations granted. These amounted to €374M at 30 June 2020, compared with €110M the previous year.

Disbursements

Disbursements (AFD and Proparco) on their own behalf amounted to €3,388M at 30 June 2020, compared to €2,077M at 30 June 2019, an increase of 63%, partly due to the disbursement of sovereign loans.

- *Activities in foreign countries*

As regards current activity in foreign countries, total disbursements are up €965M compared with last year (+43%). The change in disbursements for the different types of activities over the period can mainly be explained by:

- Marked increase in sovereign loans (+€516M, or +55%) linked to an increase in loans with direct concessionality (+€310M, or +61%) and an increase in loans with indirect concessionality (+€206M, or +49%);
- An increase in non-sovereign loans (+€412M), especially in concessional loans (+€226M) and non-concessional loans excluding sub-holdings (+€163M).
- An increase of €28m in grant disbursements.

The rise in disbursements is the result of the growth in AFD's commitments, and the increasing number of projects being executed with high levels of undisbursed funds.
This increase is mainly due to the acceleration of disbursements for projects in response to the COVID-19 health crisis.

➢ *Activities in the French Overseas Departments and Collectivities*

AFD's disbursements to French Overseas Departments and Collectivities more than doubled from €201M at 30 June 2019 to €522M at 30 June 2020. This significant growth reflects the dynamism of AFD's overseas activity, which was boosted by the launch of the "Outre-mer en commun" initiative on 25 May 2020 in response to the COVID-19 crisis. With a budget of €1Bn, of which €750M can be mobilised immediately, this initiative is aimed at local authorities and overseas companies in response to the health crisis and its economic impact.
The increase in disbursements continued over the first half of 2020. Commitments are also up, amounting to €374M in the first half of 2020, compared to €110M in the first half of 2019.
It should be noted that the increase in disbursements in French Overseas Departments and Collectivities is mainly due to the €120M emergency aid disbursement to New Caledonia (€240M loan).

➢ *Proparco's activity*

Proparco's disbursements for foreign country loans and equity investments stood at €547M in the first half of 2020, compared with €507M in the same period of 2019. Disbursements in 2020 are slightly higher than in 2019.

➢ *Activity on behalf of third parties*

Activity on behalf of third parties fell by €100M:
- A decrease (-€78M) in payments on behalf of the State,
- Payments on behalf of other backers also fell (-€22M).

1.2. Recent changes and prospects

1.2.1. Health crisis and AFD Group responses

The outbreak of the COVID-19 pandemic and the global situation are creating an unprecedented health situation but also an environment that is widely disrupted and constrained, not only by disease but also by the crisis management measures taken by a large number of governments. Many governments have imposed containment measures in an attempt to control the epidemiological curve and avoid overburdening health systems. These measures have a high immediate economic cost, resulting in a collapse in global activity. Uncertainties remain to this day and will depend on future measures and economic stimulus packages put in place by governments.

Agence Française de Développement (AFD) has been largely active since March to provide responses to the health and economic emergency and translate the French government's commitments to support priority countries for French official development assistance into action.

- The "Santé en commun" initiative

Approved on 2 April by the AFD Board of Directors, this initiative is an initial response to the health crisis and its immediate economic and social consequences and mainly benefits countries in Africa and the Middle East. It includes the mobilisation of €150M in grants and €1Bn in concessional loans as well as the refocusing of existing loans and grants to include components that respond to the needs arising from the health crisis.

Its purpose is to:

- Support local institutions in the detection of the pandemic
- Participate in financing the response plans of partner countries in the Sahel region
- Lend to public actors for a sustainable and resilient economy

This initiative is also part of the "Team Europe" programme launched by the European Union in April involving Member States and their financial institutions that was deployed to support partner countries in the fight against the coronavirus pandemic and its health, economic, social and environmental consequences.

- Institutional partnerships for Africa and the Middle East

AFD is working with several institutional partners to provide the most effective responses to the health crisis in Africa and the Middle East.

With the French National Institute for Health and Medical Research (Inserm), AFD is implementing a €1.5M project to support hospital preparation in the operational response to COVID-19 (Aphro-Cov) in Burkina Faso, Côte d'Ivoire, Gabon, Mali and Senegal.

AFD has also joined forces with the Institut Pasteur and is providing €2M of support to its establishments in Niger, Senegal, Guinea, the Central African Republic and Madagascar to fulfil their national and regional COVID-19 reference laboratory mandates.

In collaboration with the Institut de Recherche pour le Développement (IRD), AFD is implementing a project in six West and Central African countries to support national authorities in the development and strengthening of their response strategies to the epidemic. This partnership mobilises €2.2M.

With Fondation Mérieux, AFD aims to strengthen screening capacities in seven West African countries (Benin, Burkina Faso, Guinea, Mali, Niger, Senegal and Togo). This partnership mobilises €1.5M.

Finally, in cooperation with the International Committee of the Red Cross (ICRC), AFD has launched a support programme for the Rafik Hariri University Hospital in Beirut, Lebanon to identify and implement measures to respond to the health crisis.

- Suspension of debt repayment

At their meeting on 15 April, the G20 finance ministers announced their decision to suspend debt service in 2020 for countries on the International Development Association (IDA) list or classified as Least Developed Countries (LDCs) and called on private and multilateral creditors to do the same. This decision, which had been the subject of discussions and consensus within the Paris Club, involves the AFD Group, which is preparing the suspension and rescheduling of debt maturities due as of 1 May for eligible countries that request it. This initiative concerns 77 eligible countries: 76 countries with access to the concessional window of the World Bank (IDA) as well as Angola. AFD holds sovereign debt towards 35 of these 77 eligible countries, the main ones being Cameroon, Senegal, Kenya, Nigeria and Pakistan. At the end of June, 14 countries out of these 35 had their request for a moratorium accepted by the Paris Club, and for nine others, their request is under consideration.

- Support for weakened economies

A response in the form of counter-cyclical interventions to support the policies and response plans put in place by the countries and territories in terms of managing the health crisis. Also, support for the fabric of businesses, and economic recovery towards trajectories consistent with the Sustainable Development Goals and the Paris Climate Agreement is essential.

In Latin America and Asia, AFD is responding to its partners' requests and fast-tracking transactions in response to the health crisis and its economic and social consequences, mainly in the form of credit to support SMEs affected by the slowdown of the economy and in the form of budget financing to support public policies to fight the epidemic.

Proparco, an AFD Group subsidiary, is also strengthening the monitoring of its clients and offering them solutions to help them deal with the economic crisis, such as making existing loans more flexible (moratoria and changes of purpose). Additional funding may be provided to support the dynamics of economic recovery and revival that will follow the health crisis

- Support to NGOs

AFD is continuing and adapting its support methods for French civil society organisations such as NGOs, not-for-profit groups, trade unions and foundations weakened by the health crisis.

AFD has strengthened its dialogue with partner organisations and made its conditions for support more flexible while at the same time launching a reorientation of ongoing operations towards responses to the COVID-19 crisis.

The NGO Alima (Alliance for International Medical Action), for example, is leading a project to strengthen the response capacities of Ministries of Health to the pandemic in Senegal, Burkina Faso, Cameroon, the Central African Republic and the Democratic Republic of Congo, for an amount of €2M.

- The "Outre-mer en commun" programme

In the French Overseas Departments and Collectivities, AFD is mobilising alongside the State and banks and has set up a €1Bn programme dedicated to local authorities and companies in Overseas France. Numerous instruments are being used:

- Emergency investment aid loans over 20 years for overseas local authorities, with a three-year grace period and accelerated release terms (40% upon signature) based on the projects selected in the local authority-State contracts;
- Accelerated annual budget loan instructions for large local authorities, which could affect an outstanding amount of €250M at a minimum;
- Accelerated disbursements for existing financing (up to €250M);
- A €240M amortisable loan to the New Caledonian authorities to meet the urgent need for cash.

- Global response with other development actors

AFD has initiated discussions with several of its partners who are members of the IDFC Club of Development Banks to prepare programmes and projects in response to the health crisis in their countries or regions of intervention. This is the case with the West African Development Bank (BOAD), CAF in Latin America and DBSA in South Africa.

AFD, which holds the presidency of the IDFC and has hosted the club's secretariat since October 2017, also works to coordinate members' initiatives.

Numerous discussions are also underway with the multilateral development banks to provide a joint response, with the World Bank Group in particular, as well as the Asian Development Bank (ADB), the African Development Bank (AfDB), the Inter-American Development Bank (IDB) and the Islamic Development Bank (IDB). There has also been considerable interaction with the European Commission.

1.2.2. Refinancing and liquidity

The Health crisis, the associated containment measures, and their effects on markets and liquidity were the main events concerning the first semester of 2020.

Thus, access to liquidity was severely disrupted in March, before gradually returning to normal, as a result of actions taken by central banks in particular. Good issuers continued to have access to the market but on less favourable terms than at the beginning of the year.
To finance the growth in its activities on its own behalf, AFD issued, in the first half of 2020, 5 EMTN including two in euros, one in US dollars and two in Australian dollars, as well as seven top-ups of existing strains, for a total volume of €6.3Bn.

For the AFD Group, the overall cash flow indicator expressed in months (or survival horizon) makes it possible to measure whether, at any given time, the cash balance and the monetisation of the liquidity buffer make it possible to cover at least six months of projected sliding activity needs to handle a market closure during that period. The risk appetite framework prescribes an objective of maintaining this indicator within a band of 9 to 12 months; the preventive alert threshold is set at 8 months and the tolerance threshold at 6 months. In the first half of 2020, this indicator reached the preventive alert threshold due to an acceleration in disbursements at the start of countries lockdown. Borrowing transactions in April and again in June kept this indicator above the thresholds.

1.2.3. Financial results

The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), show a net income, Group share of -€55M at 30 June 2020, versus €90M at 30 June 2019. This decline was mainly due to a significant fall in net banking income over the period (€259M, compared to €420M in 2019) combined with a slight increase in the cost of risk of -€6M.

The €161M decrease in net banking income generated in the first half of 2020 is mainly due to the decline in the fair value of financial instruments. The result generated by this activity accounts for 93% of the fall in net banking income over the period. These effects have been reinforced in connection with the application of the new IFRS 9 standard applicable as of 1 January 2018, particularly in relation to the volume of assets that are measured at fair value through profit or loss in the Group's financial statements.
General operating expenses increased by €8M to €214M at 30 June 2020 versus €206M at 30 June 2019.

1.2.4. Solvency ratio and regulatory changes

AFD meets the minimum equity requirements in terms of solvency. The solvency ratio was 16.73% at 30 June 2020, down slightly compared to 31 December 2019 (16.75%).

The COVID-19 health crisis has also disrupted the timetable for regulatory changes, with the introduction of flexibility for capital requirements in this context.

More specifically, the amendments to the CRR (Regulation 2020/873, known as Quick-fix) adopted on 24 June 2020 allow for:

- a neutralisation in regulatory equity (CET1) of the negative impact of the increase in collective provisions under IFRS 9 between the balance sheet date and 01/01/2020. This neutralisation will last two years and will be followed by a linear spread over the following three years;
- preferential solvency treatment for SMEs and entities financing infrastructure projects;
- a less penalising treatment of software assets (according to the EBA RTS currently in consultation);
- a treatment currently reserved for non-performing loans guaranteed by public export credit agencies extended to public entities.

In addition, the HSCF (High Committee for Financial Security) restored the counter-cyclical cushion rate to 0% starting 2 April 2020.

With regard to credit risk, the ECB and EBA publications recommend that moratoria and the long-term prospects of debtors be taken into account when assessing the deterioration in credit risk.

1.2.5. Prospects

The year 2020 will be a year of renewed ambition for France's development policy and for AFD Group, which serves this policy. This includes a new orientation and programming law and the negotiation of a new contract for objectives and resources for 2020-2022. It will constitute a significant stage in achieving the commitment made by the French President to allocate 0.55% of GNI[1] to public development aid by 2022.

It will thus mark a stabilisation of AFD Group's level of commitments at €13.4Bn. The AFD Group will proceed with a paradigm shift in its management mode with a gradual transition from activity management through commitments approvals to activity management through signatures and disbursements, these being the conditions that impact the Group's actions. AFD Group has set itself the target of achieving €11Bn in signatures in 2020, displaying growth in the Group's commitments over the past three years. For 2020, the disbursements target for AFD Group totalled €8.5Bn, for a disbursement ratio of 23%. This target stems from the growth in the Group's commitments over the past few years and the volume of signatures achieved in 2019.

In line with its objective of being 100% Paris agreement, in the first half of 2020, AFD Group helped build a robust stance on the Climate/Biodiversity nexus with a view to the COP 15 in Kunming. In 2020, it will complete the work to specify the 100% social link objective. PROPARCO will continue its strategic alignment on these two objectives of the Paris Agreement and Social Link. Finally, the multisectoral strategic dialogue will be extended to new countries to support the ownership of these objectives by AFD partners. The AFD Group will continue to promote Sustainable Development Investment in 2020 with its IDFC partners through the holding of the Development Bank Summit at the end of the year and by other means. The Group as a whole will aim to mobilise financing beyond AFD's own financing by increasing the delegation of funds and establishing a financing leverage target. The adoption of a new partnership strategy will mark the Group's determination to further deepen its partnership approach with French players (CSOs, local authorities, companies) and European and international players to increase the impact of its involvement.

By geographic region, AFD's projected activity for 2020 breaks down as follows:

- Africa remains the priority region for AFD Group. In accordance with the commitments made by the President of France to double AFD Group financing to the African continent and the conclusions of the Interministerial Committee for International Cooperation and Development (CICID), the 2020 outlook for Africa includes a commitment target of €4.4Bn in financing, including €0.9Bn in grant commitments and €3.9Bn in signatures.

  In 2020, AFD will continue its efforts to accelerate implementation on the ground, particularly in crisis areas. If grant volumes are expected to stabilise, the transformation into signatures of grants made in 2019 should lead to an increase in disbursements. Thematically, the commitment strategy will continue to be based on the priorities already set in 2019 and focus in particular on Human Services, biodiversity preservation, and the fight against climate change.

- AFD's activity in the "East" region is expected to reach €3.1Bn in commitments in 2020, a third of which should be achieved in Southeast Asia, a quarter in Eurasia, 20% in South Asia, 15% in the Middle East, 6% in China and €2.5Bn in signatures. This region covers the former Asia scope, to which the Balkans, the Middle East and Turkey have been added, since the reorganisation of AFD's geographical focus in September 2018.

[1] *GNI: GROSS NATIONAL INCOME*

- AFD's activity in the Latin America region has been refocused on the sub-continent in its strict sense (along with Cuba, for geopolitical reasons), with 8 countries instead of the previous 11 since 1 September 2018. With a commitment authorisation target of €1.5Bn, approximately half of which is in the form of sovereign loans and half in non-sovereign, and €1.6Bn in signatures, activity in Latin America in 2020 should confirm the possibility of bringing significant volumes of financing to Latin America in an uncertain political and economic landscape. In addition to its objective of 70% climate co-benefits in the region, AFD will strive to improve its impact in terms of combating all forms of inequality, in line with its mandate in the region.

  The events of 2019 and the COVID health crisis in Latin America have reminded us of the need to reconcile ecological transition and social progress.

- AFD's activity target in the Three Oceans (excluding foreign States) amounts to €1.1Bn for 2020 and €1Bn in signatures. This objective reflects the implementation of the Three Oceans approach launched at the end of 2018 and materialised in October 2019 through the adoption of the new strategies by the Board of Directors. AFD involvement in the region will continue to be deployed in a threefold overseas, foreign and regional framework to better meet the economic imperatives, environmental requirements and social challenges of these territories.

- In French Overseas Departments and Collectivities, funding projections are €860M for 2020, down 9% from 2019. A significant portion of the financing will once again focus on public sector activity, which is estimated at €650M. For the private sector, the dynamism of lending to companies and banks is intensifying, bringing the 2020 target to around €200M, up sharply compared with 2019 (€169M in 2019). SOGEFOM's guarantee activity should remain stable at €44M. Finally, from a strategic standpoint, AFD's action in French Overseas Departments and Collectivities is part of the "5.0 trajectory" launched by the Ministry of French Overseas Departments and Collectivities in line with the recommendations of the Blue Book.

- AFD has set a financing authorisation target of €245M for foreign States bordering the French Overseas Departments and Collectivities. The three priority countries for French development aid within the Three Oceans perimeter (Haiti, Madagascar and the Comoros) will receive most of the grant. The Comoros should continue to benefit from an especially sustained effort at €50M, in line with the France-Comoros Development Plan adopted in July 2019. In these three countries, the strengthening of human capital (health, education, training), access to basic services (including water), the preservation of natural resources and the increase of economic and employment opportunities will be targeted. In the others, the focus will be put on projects with climate co-benefits, notably in the areas of energy, sustainable cities, transport and water, thanks to a range of products (loans, subsidised loans, guarantees, delegated funds).

- Finally, at the regional level, in accordance with the priorities defined by the government (in particular the Indo-Pacific component) and specified in the basin strategies, the aim is to achieve a change of scale that will result in an increase in multi-donor funding authorisations and cooperation with regional organisations. The consolidation of partnerships with new counterparties, such as NGOs, will also be encouraged within the regional framework.

This is evidenced by the project to reduce the impact of natural disasters, health crises and the effects of climate change on the populations of the three ocean basins, planned with the Red Cross.

1.3. Risk factors

AFD Group's risk-bearing loan activity (outstandings and undisbursed balances signed) amounted to €49.7Bn, an increase of €1,370M (+3%) over the first half of 2020. In 2019 and 2018, this growth was €1,428M (+3.2%) and €807M (+1.9%) respectively. This increase is concentrated within AFD's scope (€1,467M), whereas at-risk loads on the Proparco portfolio are down slightly (-€97M). For AFD, the rise is the result of an increase in sovereign loans (+€1,713M to €29.6Bn) mitigated by a fall in non-sovereign loans (-€246M), to foreign States in particular (-293M).

The outstanding on loans on AFD's own behalf (€31.85Bn) rose by €1,144M (+3.7%) over the first half of 2020:

- +€809M on sovereign loans;
- +€335M on non-sovereign loans including +€169M on loans at AFD's risk in French Overseas Departments and Collectivities and +€166M on loans at AFD's risk abroad.

The average quality of the Group's overall portfolio declined to BB-, notably due to the lower quality of the Overseas France portfolio. The average quality is BB- on sovereign loans and BB on non-sovereign Group loans. In detail, non-sovereign loans were rated BB+ for AFD (BB in foreign countries and BB+ in French Overseas Departments and Collectivities), and B+ for Proparco.

The share of risks in AFD's non-sovereign portfolio in foreign countries classified in the investment grade category increased to 37% compared to 36% at the end of 2019.

The Group's overall rate of doubtful loans increased to 4.4% compared to 3.9% at the end of 2019 with:

- An increase in the doubtful rate for AFD's (7.2% to 8.1%) and Proparco's (7.5% to 9.4%) non-sovereign portfolios;
- A stable doubtful rate for the sovereign portfolio (0.6%).

The Group's doubtful loans amounted to €1,523M, up €221M, of which:

- +€154.9M for AFD non-sovereigns to €1,114M;
- +€65.1M for Proparco non-sovereigns to €306M;

The increase in non-sovereign doubtful loans is due mainly to new downgrades of loans to doubtful in foreign countries, in particular for counterparties in Argentina. Doubtful sovereign outstandings were virtually stable at €103.5M.

The Group's arrears totalled €406.2M, up €21.5M over the half year, of which:

- +€2.4M for AFD sovereigns to €110M;
- +€5.4M for non-sovereigns to €177M;
- +€13.7M for PROPARCO to €120M, of which +€8M in new arrears.

On the income side, AFD's asset impairment was €548.7M compared to €539M at the end of 2019, up 1.7% with a net provision of €9.6M. Impairment breaks down into €390.1M in capital impairment and €158.6M in interest impairment.

The cost of AFD's risk over the half-year was €59.6M, up €13.3M compared to June 2019 (€72.8M). It is composed of:

- €6.6M in asset impairment (comprised mainly of the downgrading of certain files to doubtful status, mitigated by the reclassification of one counterparty as performing and the reduction in the provision rate for another counterparty);
- €49.2M in impairment losses on collective provisions (mainly related to the downgrading of the ratings of certain counterparties from stage 1 to stage 2 or within stage 2);
- €3.3M in other provisions for risks and expenses;
- €0.4M in debt losses.

Proparco's cost of risk amounts to €54.5M compared to €26.4 M at the end of june 2019; it breaks down into an individual cost of risk on loans and guarantees representing an expense of €35.8M and collective provisions of €18.7M.

The Group's consolidated cost of risk after transition to IFRS was €101.0M, which includes €46.8M in collective impairment, €53.2M in individual impairment, €1.8M in debt losses and €0.9M in other provisions.

The reserve account for sovereign risk was impaired by €33.1M, bringing it to €837.8M. This reserve account stood at €804.7M at 31 December 2019.

Equity stood at €7,844M at 30 June 2020, up by €378M compared to 31 December 2019 (€7,466M).

At the end of June 2020, the impacts of the economic crisis resulting from the COVID-19 pandemic on AFD's credit portfolio were only very partially observed, and their estimation is still uncertain at this stage given the scale and uncertain duration of the crisis and the diversity of the economic sectors affected in the Group's various countries of operation. However, a significant deterioration in the quality of the portfolio is anticipated, reflecting significant cyclical cash flow difficulties and/or a more lasting deterioration in the financial profile of several of the counterparties in the portfolio. This is combined with a deterioration in the macroeconomic situation and short-term solvency of several countries of operation resulting in downgrades of external sovereign ratings, as already observed in Argentina, Ecuador, Lebanon, Colombia, Mexico, Kenya, South Africa and Tunisia.

With regard to AFD's non-sovereign portfolio, the analysis conducted of the estimated impact of the crisis on the financial profile of our counterparties and their short-/medium-term repayment capacity shows that around 12% of risk exposure is classified as being heavily impacted by the crisis. Particular attention is being paid in the monitoring of the portfolio for the most vulnerable sectors, such as air transport and tourism. At the beginning of July, 65 requests for maturity extensions (from 3 to 6 months on average) were made by our non-sovereign counterparties (23 accepted, 3 rejected, the rest being processed), about 60% of which are concentrated in French Overseas Departments and Collectivities and 40% in foreign countries.

With regard to the sovereign portfolio, a deterioration in the macroeconomic situation and short-term solvency of several countries of operation has already been observed, resulting in downgrades of external sovereign ratings, as already observed in Argentina, Ecuador, Lebanon, Colombia, Mexico, Kenya, South Africa and Tunisia.

2. Consolidated financial statement prepared in accordance with IFRS accounting standards adopted by the European Union

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 775 665 599.

These condensed half-year consolidated financial statements prepared on September 7, 2020.

Balance Sheet at 30 June 2020

in thousands of euros	**Notes**	**30/06/2020**	**31/12/2019**
Assets			
Cash, due from central banks		3 407 256	1 259 133
Financial assets at fair value through profit and loss	1	2 662 680	2 738 146
Hedging derivatives	2	2 958 965	2 558 977
Financial assets at fair value through other comprehensive income	3	1 425 720	1 512 546
Debt securities at amortised cost	5	1 343 751	1 221 164
Financial assets at amortised cost		38 337 853	36 902 710
Loans and receivables due from credit institutions and equivalent at amortised cost	5	7 956 941	8 080 093
Demand		*921 225*	*2 164 099*
Term		*7 035 716*	*5 915 995*
Loans and receivables due from customers at amortised cost	5	30 380 911	28 822 617
Other loans to customers		*30 380 911*	*28 822 617*
Revaluation adjustments on portfolios hedged against interest rate risk		1 171	1 172
Current tax assets		31	31
Deferred tax assets		20 766	16 858
Accruals accounts and other assets	6	1 485 002	892 637
Accruals		*54 022*	*- 3 185*
Other assets		*1 430 980*	*895 822*
Investments accounted for using the equity method	17	143 244	146 753
Property, plant and equipment	7	256 126	268 618
Intangible assets	7	39 301	36 280
Total assets		**52 081 865**	**47 555 027**
Liabilities			
Due to Central banks		-	61
Financial liabilities at fair value through profit or loss	1	357 255	359 698
Hedging derivatives	2	2 097 859	1 486 117
Financial liabilities at amortised cost		38 122 167	34 492 871
Debt securities issued at amortised cost	8	38 115 080	34 481 774
Interbank market securities		*274 533*	*100 029*
Bonds		*37 840 547*	*34 381 745*
Debts to credit institutions and equivalent at amortised cost	*8*	*5 652*	*9 440*
Demand		*5 111*	*8 807*
Term		540	634
Debts to customers at amortised cost	*8*	*1 435*	*1 657*
of which demand		*1 435*	*1 657*
of which term		-	-
Deferred tax liabilities		10 817	11 156
Accrual accounts and other liabilities	6	*2 576 349*	*2 455 403*
Allocated public funds		*82 126*	*87 363*
Other liabilities		*2 494 223*	*2 368 040*
Provisions	9	1 162 158	1 151 884
Subordinated debt	10	1 535 567	1 288 009
Total debts		**45 862 172**	**41 245 199**
Equity Group share	(Tab 1)	6 028 954	6 105 877
Provisions and related retained earnings		*3 267 999*	*3 267 999*
Consolidated reserves and other		*2 810 620*	*2 638 563*
Gains and losses directly recognised in other comprehensive income		*4 925*	*26 877*
Net income		*- 54 590*	*172 439*
Non-controlling interests	(Tab 1)	190 738	203 950
Total equity		**6 219 692**	**6 309 828**
Total liabilities		**52 081 865**	**47 555 027**

Income Statement at 30 June 2020

in thousands of euros	Notes	30/06/2020	30/06/2019
Interest and related expenses	11	**792 268**	**835 222**
Transactions with credit institutions		164 709	170 600
Transactions with customers		364 869	385 537
Bonds and other fixed-income securities		16 550	11 114
Other interest and similar income		246 140	267 971
Interest and related expenses	11	**592 482**	**632 884**
Transactions with credit institutions		350 733	357 439
Transactions with customers		559	378,58
Bonds and other fixed-income securities		258 370	280 822
Other interest and similar expenses		-17 179	-5 756
Commissions (income)	12	**61 293**	**73 917**
Commissions (expenses)	12	**1 616**	**955**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	13	**-122 497**	**26 618**
Net gains and losses on financial assets at fair value through other comprehensive income	14	**1 401**	**5 103**
Income from other activities	15	**124 209**	**120 185**
Expenses from other activities		**3 595**	**7 202**
Net banking income		**258 980**	**420 004**
Overheads	16	**214 217**	**206 058**
Personnel expenses		152 216	136 671
other operating expenses		62 001	69 387
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	7	**19 166**	**17 917**
Gross operating income		**25 597**	**196 030**
Cost of credit risk	17	**-101 008**	**-94 917**
Operating income		**-75 411**	**101 112**
Share in income from investments accounted for using the equity method	18	**-2 794**	**-1 069**
Net gains or losses on other assets		**33**	**15**
Pre-tax income		**-78 172**	**100 059**
Income tax	19	**3 825**	**-5 288**
Net income		**-74 347**	**94 771**
Non-controlling interests		**-19 757**	**5 051**
Net income - Group share		**-54 590**	**89 721**

Net income and gains and losses directly recognised through other comprehensive income at 30 June 2020

in thousands of euros	30/06/2020	31/12/2019
Net income	**-74 347**	**182 118**
Net gains and losses directly recognised in equity to be recycled in profit or loss	**-2 343**	**3 468**
Net translation gains and losses		
Gains and losses on available-for-sale financial assets		
Gains or losses on debt securities recognised through other comprehensive income to be recycled in profit or loss	-2 343	3 468
Net gains and losses directly recognised through other comprehensive income that will not be reclassified subsequently into income	**-20 654**	**-36 048**
Actuarial gains and losses on retirement benefits		-29 720
Gains and losses on financial liabilities attributable to changes in own credit risk		
Net gains and losses on equity securities directly recognised through other comprehensive income not to be recycled into income	-20 654	-6 328
Total gains and losses directly recognised in shareholders' equity	**-22 997**	**-32 580**
Net income and gains and losses directly recognised in equity	**-97 344**	**149 538**
of which non-controlling interests	-76 541	142 868
Of which minority interests	-20 802	6 670

Statement of changes in shareholders’ equity from 1 January 2020 to 30 June 2020

in thousands of euros	Provisions	Funding reserves	Consolidated reserves	Income for the financial year	Unrealised or deferred gains or losses	Equity – Group share	Equity - Non-controlling interests	Total consolidated equity
Shareholders' equity as at 1 January 2019	**2 807 999**	**460 000**	**2 540 341**	**115 225**	**56 447**	**5 980 012**	**216 524**	**6 196 536**
Share of 2018 retained earnings			86 146	-86 146				
Dividends paid				-29 079		-29 079	-2 439	-31 519
Other changes			-1 286			-1 286	-685	-1 971
Changes related to put options			13 362			13 362	-16 119	-2 757
2019 income				172 439		172 439	9 679	182 118
Gains and losses directly recognised in other comprehensive income					-29 571	-29 571	-3 010	-32 580
Shareholders' equity as at 31 December 2019	**2 807 999**	**460 000**	**2 638 564**	**172 439**	**26 876**	**6 105 877**	**203 951**	**6 309 828**
Share of 2019 retained earnings			172 439	-172 439				
Dividends paid								
Other changes			-609			-609	-2	-610
Changes related to put options			227			227	7 591	7 818
2020 income				-54 590		-54 590	-19 757	-74 347
Gains and losses directly recognised in other comprehensive income					-21 951	-21 951	-1 046	-22 997
Shareholders' equity as at 30 June 2020	**2 807 999**	**460 000**	**2 810 621**	**- 54 590**	**4 925**	**6 028 954**	**190 738**	**6 219 693**

Cash flow statement at 30 June 2020

in thousands of euros	**30/06/2020**	**31/12/2019**	**30/06/2019**
Pre-tax income (A)	**-58 415**	**190 789**	**95 009**
Amortisation expense on tangible and intangible fixed assets	11 937	33 117	10 690
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	7 231	14 462	7 224
Impairment of goodwill and other fixed assets	-	6 714	-
Provisions net of other provisions (including technical insurance provisions)	133 836	233 686	136 195
Net income / loss from investments accounted for using the equity method	2 794	1 584	1 069
Net gain/(net loss) on investment activities	-8 763	-19 630	-4 583
Net gain/(net loss) on financing activities	2 813	13 571	2 287
Other item	-81 911	-700	-155 832
Total non-cash items included in net pre-tax income and other items (B)	**67 937**	**282 803**	**-2 950**
Cash received from credit institutions and equivalent	-1 179 344	-1 190 099	-1 180 335
Cash received from customers	-870 155	-1 842 866	-423 275
Cash flows from other operations affecting other financial assets or liabilities	-124 399	223 652	-523 910
Cash flows from operations affecting non-financial assets or liabilities	-357 621	-165 689	-175 192
Taxes paid	-1 066	-10 543	-8 781
= Net increase (decrease) in cash-related assets and liabilities from operating activities (C)	**-2 532 585**	**-2 985 545**	**-2 311 492**
Net cash flows from operating activities (A+B+C)	**-2 523 064**	**-2 511 953**	**-2 219 434**
Cash flows from financial assets and equity investments	54 539	-260 045	-174 683
Cash flows from property, plant and equipment and intangible assets	-5 929	-41 405	-12 447
Net cash flows from investment activities	**48 609**	**-301 450**	**-187 130**
Cash flows related to the application of IFRS 16	**-6 267**	-12 993	-5 630
Cash flows from shareholders	247 000	257 000	-
Cash flows to shareholders	-	-65 101	-31 519
Other net cash flows from financing activities	3 142 948	2 752 448	1 955 369
Net cash flows from financing activities	**3 383 682**	**2 931 354**	**1 918 220**
Net increase/(decrease) in cash and cash equivalents	**909 227**	**117 951**	**-488 344**
Opening balance of cash and cash equivalents	**3 412 707**	**3 294 756**	**3 294 756**
Net balance of cash accounts and accounts with central banks	1 259 072	1 399 405	1 399 405
Net balance of term loans and deposits from credit institutions	2 153 635	1 895 351	1 895 351
Ending balance of cash and cash equivalents	**4 321 934**	**3 412 707**	**2 806 412**
Net balance of cash accounts and accounts with central banks (1)	3 407 256	1 259 072	1 030 962
Net balance of term loans and deposits from credit institutions (2)	914 679	2 153 635	1 775 450
Change in cash and cash equivalents	**909 227**	**117 951**	**-488 344**

Notes to the financial statements

1. Significant events at 30 June 2020

1.1 The impact of the COVID-19 pandemic health situation

In the context of the COVID-19 health crisis, strong measures were applied as soon as it was classified COVID-19 as a pandemic. As a result, entire sectors of the economy, especially in services, have been affected by significant restrictions on working conditions and even the closure of establishments. Alongside these measures, the government announced several measures to support the economy to mitigate the negative impact of the health measures taken.

Similar measures have been taken in all countries affected by the pandemic. The various governments have announced strong health measures to avoid overloading their health systems, with varying degrees of economic support responses.

The AFD Group mobilised to provide responses to the health and economic emergency and translate the French government's commitments to support priority countries for French official development assistance into action.

- **Implementation of moratoria**

At their meeting on 15 April 2020, the G20 finance ministers announced their decision to suspend debt service in 2020 for countries on the International Development Association (IDA) list or classified as Least Developed Countries (LDCs) and called on private and multilateral creditors to do the same. This decision, which had been the subject of discussions and consensus within the Paris Club, was implemented by the AFD Group, which is preparing the suspension and rescheduling of debt maturities due as of 1 May for eligible countries that request it. Depending on the scope of the project and the requests made to AFD, the amount of deferred principal and interest payments could be as high as about €200M.

At 30 June 2020, payment suspensions under the IDA moratoria had a non-significant impact on the financial statements. The contractual amendments resulting from these moratoria did not constitute substantial changes requiring the derecognition of assets.

- **Credit risk assessment**

In connection with the various publications of regulators and the IASB, in particular the 27 March 2020 publication relating to the recognition of expected credit losses in connection with IFRS 9 on financial instruments, the importance of the exercise of judgement in the application of the standard with respect to credit risk was stressed.

In the context of the preparation of the Group's interim financial statements, the extension of the due date did not in itself constitute a significant increase in credit risk leading to a change in outstandings for which impairment is estimated on loan losses over 12 months (stage 1) towards recognition of impairment of expected losses at maturity (stage 2), nor did it lead to a systematic change in outstandings to the doubtful category (stage 3).

In addition, the extension of maturities in a framework other than the moratoria presented above was deemed in the majority of cases to be a significant increase in credit risk leading to a downgrading to stage 2, unless the temporary nature of the cash flow difficulties and a pre-Covid financial situation deemed healthy with the capacity to quickly resume the pace of repayments can be demonstrated[2].

Globally less affected by the epidemic at this stage than advanced economies, emerging and developing countries (EDCs) are nevertheless facing a major shock in demand, particularly external demand, and falling prices for several commodities, including oil. Given the still recent nature of the crisis in the Group's areas of operations and the limited volume of information available, the models and parameters for estimating expected credit losses have not been updated.

- **Valuation of the Equity portfolio**

IFRS 13 defines Fair Value as "the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the measurement date". The Group applies IFRS 13 in the preparation of its interim financial statements.

At 30 June 2020, there was no change in the valuation method for listed assets (share price).

As regards unlisted assets (direct holdings or investment funds) and given the COVID-19 crisis, it has been particularly difficult to refine current valuation methods (lack of company data, low visibility of comparables and absence of recent transactions in the current environment). As a result, in order to take into account the impact of the health crisis on the group's Equity business, it appeared necessary to extend the main asset valuation approach by using other methods. In particular, the Group observed the performance of the main stock markets in its areas of operation and of benchmark indices that replicate the composition of its portfolio (such as the MSCI index).

Therefore, at 30 June 2020, a significant decline in the valuation of the Equity portfolio was recorded for a total amount of €104M for the Group.

- **Continued activity in an uncertain environment**

AFD Group has decided to support weakened economies by providing responses in the form of counter-cyclical operations to support the health crisis management policies and response plans implemented by countries and territories and to support the business fabric and economic recovery towards trajectories that are in line with the Sustainable Development Goals and the Paris Climate Agreement.

AFD Group is responding to its partners' requests and fast-tracking transactions in response to the health crisis and its economic and social consequences, mainly in the form of lines of credit to support SMEs penalised by the paralysis of the economy and in the form of budget financing to support public policies to fight the epidemic.

[2] This exception was not applied for:
- Counterparts in the air transport and tourism transport sector;
- Moratoria leading to a loss of NPV of under 1%;
- Moratoria resulting in a lengthening of the credit maturity.

Proparco, an AFD Group subsidiary, is also strengthening the monitoring of its clients and offering them solutions to help them deal with the economic crisis, such as making existing loans more flexible (moratoria and changes of purpose). Additional funding may be provided to support the dynamics of economic recovery and revival that will follow the health crisis.

Other measures accompany AFD's response, namely:

- The "SANTÉ EN COMMUN" initiative;
- Institutional partnerships for Africa and the Middle East;
- Support to NGOs;
- The "Outre-mer en commun" programme;
- Global response with other development actors.

1.2 Financing of the Group's activity

To finance the growth in its activities on its own behalf, AFD made 5 EMTN-classified financing issues in the first half of 2020, including two in euros, one in US dollars and two in Australian dollars, as well as seven top-ups of existing strains, for a total volume of €6.3Bn.

1.3 Allocation of 2019 net income

In accordance with article 79 of the Amended Finance law 2001 no. 2001-1276 of 28 December 2001, the amount of dividends paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2019 financial statements on 2 April 2020.

In anticipation of the impact of the ongoing health crisis on AFD's activities:

- On 2 April 2020, the AFD Board of Directors proposed the full mobilisation of AFD's 2019 corporate income (€160.1M) in reserves;
- The Proparco Annual General Meeting of 27 May also approved the full mobilisation of Proparco's 2019 corporate income (€35.6M) in reserves.

2. Accounting standards applied to Agence Française de Développement

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented in accordance with French Accounting Standards Authority (ANC) Recommendation No. 2017-02 of 2 June 2017 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards.

The condensed half-year consolidated financial statements for AFD Group at 30 June 2020 are prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union, and consequently comply with IAS 34 on interim financial information, which defines the minimum content of the information, and which identifies the accounting and assessment principles that must be applied to an interim financial report.

The accounting standards applied to prepare AFD's financial statements as at 30 June 2020 are described in note 3.2.
These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the half-year financial statements to 30 June 2020 were supplemented by the provisions of IFRS standards as adopted by the European Union that must be applied for the first time to this financial period. They relate to:

Standards, amendments or interpretations	Dates of publication by the European Union	Date of application: financial years starting from
Amendments to IFRS 16 "Leases" related to the Covid-19 crisis	May 2020	1 January 2020
Amendments to IAS 39 - IFRS 9 and IFRS 7	September 2019	1 January 2020
Amendments to IAS 16 Property, Plant and Equipment	May 2020	1 January 2022
Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	May 2020	1 January 2022
Annual improvements from 2018 to 2020 IFRS 1 - IFRS 9 - IFRS 16	May 2020	1 January 2022

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

- **Amendment to IFRS 16 on rent relief related to Covid-19**

The amendment allows tenants benefiting from rent reductions related to the Covid-19 pandemic not to consider these concessions as contract amendments and therefore allows them not to spread these reductions over the term of the contract, but to recognise them directly in the income statement as reversals of rents. This amendment does not affect Lessors. The AFD Group financial statements did not benefit from this relief as at 30 June 2020.

- **Amendments to IAS 39, IFRS 9 and IFRS 7 "Changes in criteria for hedge accounting requirements"**

In September 2019, the IASB introduced amendments to IAS 39, IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which changes the requirements of the criteria for using hedge accounting by allowing the continuation of hedging relationships existing before the effective implementation of that reform. These amendments were adopted by the European Commission on 15 January 2020 with mandatory application for the 2020 financial statements. In January 2019, AFD started a Group-wide transition process under the direction of the Finance Department to comply with regulatory requirements and anticipate the impact of changing indexes on the economic balance of its contracts. In addition, the data were surveyed and analysed. It was found that the rates the AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR. The hedging relationships in micro-hedges were tested as of 31 December 2019 based on a present-value discounted at €STR and compared to the fair values of the decree based on an EONIA present-value discount in order to simulate the earnings impact of a hypothetical switch to €STR. According to this work, the estimated impact is not significant.

The other standards and interpretations applicable as at 1 January 2020 had no material impact on the Group's financial statements at 30 June 2020.

3. Principles for the preparation of the consolidated financial statements of AFD Group at 30 June 2020

3.1. Consolidation scope and methods

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 non-controlling interest and does not exercise significant influence due to the companies being either fully or partially state-owned.

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

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

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

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

in percentage of ownership	30/06/2020	31/12/2019
Fully consolidated companies		
Soderag	**100%**	100%
Proparco	**74%**	74%
Sogefom	**60%**	60%
Fisea	**100%**	100%
Propasia	**74%**	74%
Companies accounted for by the equity method	**0%**	0%
Société Immobilière de Nouvelle Calédonie	**50%**	50%
Banque Socredo	**35%**	35%

Non-controlling interests:

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

in thousands of euros	30/06/2020			31/12/2019		
	% of control and vote held by non-controlling interests	Share of net income	Equity - Non-controlling interests (of which result)	% of control and vote held by non-controlling interests	Share of net income	Equity - Non-controlling interests (of which result)
Proparco	25,82%	-19 777	183 702	25,82%	9 998	196 933
Other subsidiaries		20	7 036		-319	7 018
Total Non-controlling interests		**-19 757**	**190 738**		**9 679**	**203 950**
Total Group share		**-54 590**	**6 028 954**		**172 439**	**6 105 877**

AFD Group has no contractual obligation to provide assistance to structured entities Fisea and Propasia beyond the standard obligations arising from its interest in these entities and does not intend to provide support in the future.

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

3.2. 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 30 June 2020, the company's share capital totalled €693M and AFD's stake was 74.2%.

- The Société de Développement Régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.

  At 30 June 2020, the company's share capital amounted to €5.6M. It is 100% owned by AFD;

- The Société de gestion des fonds de garantie Outre-mer (Sogefom), whose shares AFD purchased, and which were held by the Institut d'émission d'Outre-mer (IEOM), on 12 August 2003, following the request from the Minister for the Economy, Finance and Industry and the Minister for French Overseas Departments and Collectivities.

  At 30 June 2020, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;

- Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. This simplified joint-stock company with registered capital of €227.0M is almost wholly owned by AFD, with Proparco owning one share. It is managed by Proparco;

- TR Propasia LTD, a public limited company created in October 2008, whose corporate purpose is purchasing equity stakes in companies or organisations that promote environmentally-friendly economic and social development in Asia. The company is registered in Hong Kong and has $10M in share capital. It is a wholly-owned subsidiary of Proparco.

o <u>Equity method</u>

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 30 June 2020, this method was used for two companies in which AFD directly or indirectly holds an equity investment of between 20% and 50% and over which significant influence may be proven: la Société Immobilière de Nouvelle Calédonie (SIC) and Socredo.

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

o <u>Comments on other companies</u>

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

3.2.1. 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.

3.3. 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 valuation and presentation rules used in preparing the financial statements of the Agence française de développement to 30 June 2020 are described below.

3.3.1. 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. Exchange rate differences relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under "Financial assets at fair value through profit and loss" and in liabilities if the asset is classified under "Available-for-sale financial assets through shareholders' equity".

3.3.2. Use of estimates

Some items recognised in the consolidated financial statements in accordance with the accounting principles and policies involve the use of estimates made on the basis of available information. These estimates are mainly used for the fair value measurement of financial instruments, impairments and provisions.

The use of estimates notably concerns:

- The assessment of losses expected at 12 months or maturity in application of the second section of IFRS 9;
- The provisions recognised as liabilities in the balance sheet (provisions for employee benefits, disputes, etc.);
- Some financial instruments that are valued using complex mathematical models or by discounting probable future cash flows.

3.3.3. Financial instruments

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

Financial assets and liabilities are recognised in the financial statements in accordance with the provisions of IFRS 9 as adopted by the European Union.

Accordingly, financial assets are classified at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss, depending on the contractual

characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

AFD Group continues to apply the provisions of IAS 39 on hedging while awaiting the future provisions on macro-hedges.

3.3.4. 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 other comprehensive income or fair value through profit and loss), as defined in IFRS 9. Purchases/sales of financial assets are recognised at the completion date. The accounting classification defines the way in which the financial assets are subsequently measured.
This classification depends on the characteristics of their contractual flows and the way in which the entity manages its financial instruments (business model).

- The contractual characteristics ("Solely Payments of Principal & Interests" or "SPPI" test)

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan for which interest is paid essentially in consideration of the time value of the money and the credit risk.
The interest may also however contain consideration for other risks (liquidity risk, for example) and charges (admin charges, for instance) for holding the financial asset for a certain period. The interest may include a margin which is in keeping with a basic loan agreement.
However, when the contractual arrangements expose the contractual cash flows to risks or volatility which are not commensurate with a basic loan agreement, for example exposure to variations in the price of equities or goods, the contractual cash flows are not solely payments of principal and interests and the contract is therefore recognised at fair value through profit and loss.

- The management model

The management model defines how the instruments used to generate cash flows are managed.

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

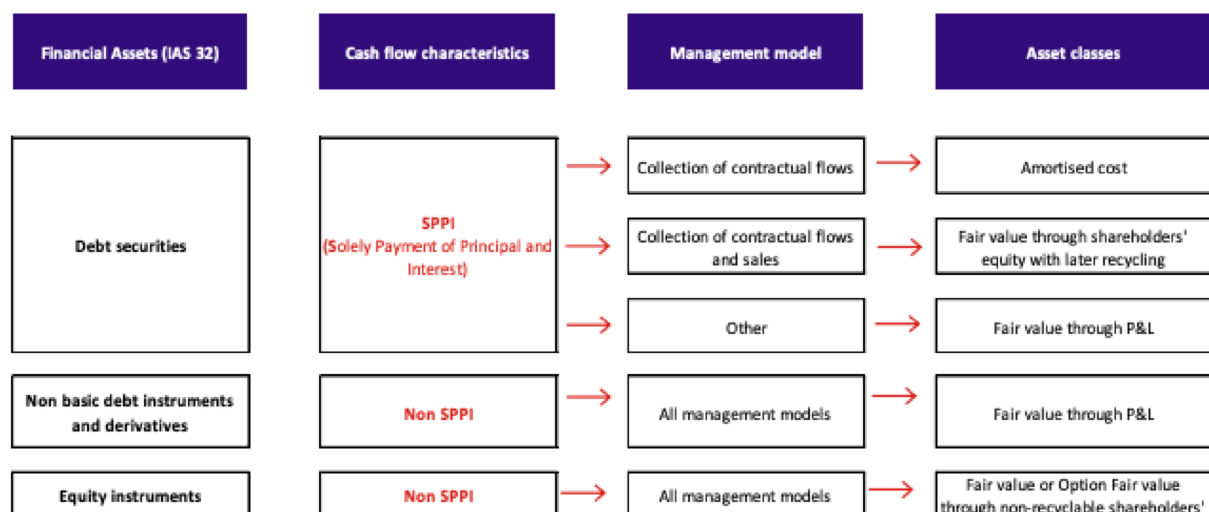
- The performance reports submitted to the Group's senior management;
- The compensation policy for portfolio managers;
- Completed and anticipated asset sales (size, frequency, etc.).

Based on the criteria observed, the three management models for the classification and measurement of financial assets are:

- The collection only model for contractual cash flows of financial assets;

- The model based on the collection of contractual cash flows and the sale of financial assets; and
- Any other models, such as the sales only model.

The recognition method for financial assets resulting from the analysis of the contractual clauses and the qualification of the management model is presented in the diagram below:



a) Debt instruments at amortised cost

Debt instruments are classified at amortised cost if the following two criteria are met: the contractual cash flows only constitute payments of the principal and interest on the principal and the management model is qualified as collection only. 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 a default event has occurred after the grant of the loan with an impact on future projected asset cash flows and, is therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of subsequent reversal of the impairment is booked under net banking income.

- *Securities at amortised cost*

This category includes debt securities whose contractual characteristics are SPPI and for which the management model is qualified as "collection".

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 shareholders’ equity”.

b) Debt securities at fair value through other comprehensive income

Debt instruments are classified at fair value through shareholders’ equity if the following two criteria are met: the contractual cash flows are solely comprised of payments on principal and interest on the principal and the management model is qualified as “collection and sale”.

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 other comprehensive income to be included in profit and loss in the future. They are also subject to a calculation of expected credit risk losses on the same terms as those applicable to debt securities at amortised cost (Note 5 – Financial instruments at amortised cost).

Interest is recorded as income using the effective interest method.

On disposal, changes in values previously recognised in shareholders’ equity will be transferred to the income statement.

c) Debt securities at fair value through profit and loss

This category includes debt instruments that do not comply with the SPPI criteria:

- *Equity stakes in investment funds and direct investments with put options and other debt instruments (e.g. UCITS, etc.)*

The characteristics of the contractual flows are such that these do not pass the SPPI test; therefore, they cannot be measured at amortised cost.

In line with its procedures, AFD classifies its financial assets using two primary criteria: assets listed on a market and unlisted assets.

Listed assets are divided into two subgroups, those listed on an “active” market, an attribute that is appraised according to objective criteria, or those listed on an inactive market. Assets listed on an “active” market are automatically classified as fair value level 1. Assets listed on an “inactive” market are classified as fair value level 2 or 3, depending on the valuation method used. When there are direct or indirect observable data used for the valuation, the asset is classified as fair value level 2.

When there are no such data or those data are not “observable” (isolated observation, without recurrence), the asset is classified as fair value level 3, just like the unlisted assets. All unlisted assets are classified as fair value level 3 and are evaluated primarily using two methods, the proportionate share of the re-evaluated net asset based on the latest financial statements transmitted by the concerned entities (< 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 non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.
As a result, the AFD Group has identified a loan portfolio, which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan.

- *Foreign exchange or interest rate derivatives used in economic hedging*

These are derivatives that do not meet the definition of hedge accounting under IAS 39. These assets and liabilities are measured at fair value through profit and loss. The change in fair value is recorded in the income statement under "net gains and losses on financial instruments at fair value". The fair value of the foreign exchange derivatives entered into by AFD frequently includes a hedge of the future margin on loans denominated in foreign currencies. The foreign-exchange income from related assets recognised in income or expenses from other activities partially offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, e.g. the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted cash flows using a zero-coupon curve.

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

d) Equity securities

In principle, equity instruments are recognised at fair value through profit and loss. However, the option remains of designating equity instruments at fair value through other comprehensive income reported outside profit and loss. This choice is made on a case-by-case basis for each instrument and is irrevocable.

When the option to designate an equity instrument at fair value through shareholders' equity is made:

- Only the dividends that do not represent the recovery of part of the cost of the investment are recognised in the income statement under Net gains or losses on financial assets at fair value through shareholders' equity;
- The changes in the fair value of the instrument are only recognised in shareholders' equity and are not subsequently transferred to the income statement. Consequently, if the investment is sold, no profits or losses are recognised in the income statement, and the gains and losses are reclassified in consolidated reserves.

Stage 2 of IFRS 9, relating to the general approach to impairment, does not apply to equity instruments.

e) Reclassification of financial assets

The reclassification of financial assets takes place only in exceptional cases brought about by a change in business model.

A change in the management model for financial assets involves changes in the way the activity is managed operationally, systems, etc. (acquisition of a business, end of a business, etc.) with the accounting consequence of a reclassification of all financial assets in the portfolio when the new management model is effective.

3.3.5. Financial liabilities

The categories of financial liabilities have not been modified by IFRS 9, and are consequently classified in two accounting categories:

- Financial liabilities at fair value through profit and loss by nature or by option are assessed at fair value, and changes in fair value are recognised in the income statement;
- Financial liabilities valued at amortised cost are initially measured at fair value and subsequently at amortised cost according to the effective interest rate method - there is no change in the amortised cost method compared to IFRS 9.

Financial liabilities measured using the fair value through profit and loss option are measured at fair value and changes in fair value have an offsetting entry in profit and loss. The effect of the remeasurement of own credit risk is recognised directly in other comprehensive income reported outside profit and 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 issued which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method;
- Subordinated debt: In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new

borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and as per the third stage of additional financing of €280.0M, there was a drawdown of €160.0M on this last tranche of RCS (Resources with special conditions) in September 2017. The drawdown of the balance of €120M took place in September 2018, thereby reaching the €840M total for the 2015-2018 period.

At 30 June 2020, the balance amounted to €247M.

3.3.6. Derecognition of financial assets and liabilities

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

- The contractual rights to the cash flows linked to the asset expire; or
- AFD transfers the contractual rights to receive the cash flows from the financial asset, and transfers almost all the risks and benefits of the ownership of this asset; or
- AFD retains the contractual rights to receive the cash flows from the financial asset, but bears the contractual obligation to pay these cash flows to one or several entities.

When derecognising a financial asset in its entirety, the difference between the book value of that asset and the amount of consideration received should be recognised in the profit and loss account among the gains or losses on disposal corresponding to the financial asset transferred.

AFD Group derecognises a financial liability if and only if it has expired, i.e. when the obligation stipulated in the contract has legally expired, lapsed, been cancelled, or reached expiry.

When derecognising a financial liability in its entirety, the difference between the book value of that liability and the consideration paid must be recognised in profit and loss as an adjustment to the interest expense account corresponding to the derecognised financial liability.

3.3.7. Hedging derivatives

AFD Group has decided not to apply the third phase of IFRS 9 “Hedge accounting”; AFD applies fair value hedge accounting as defined by 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 adjustments on portfolios hedged against interest rate risk” 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.

3.3.8. Impairment of financial assets at amortised cost and at fair value through other comprehensive income

In accordance with IFRS 9, the impairment model for credit risk is based on the expected credit losses (ECL). Impairment is recognised on debt securities measured at amortised cost or at fair value through other comprehensive income to be included in profit and loss in the future, as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

General principle

AFD Group classifies financial assets into 3 separate categories (also called “stages”) according to the change, from the origin, of the credit risk associated with the asset. 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: is for “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: are performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The method of calculating the provision is statistically based on expected loss at maturity;
- Stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

Concept of default

The transfer to stage 3 (which meets the definition of "incurred loss" under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard related to this notion, the refutable presumption of 90 days in arrears, stipulates that the definition used must comply 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 the combination of the following criteria:

- Definition of a doubtful third party according to AFD Group;
- Use of the default contagion principle.

Third parties with arrears of over 90 days, or 180 days for local authorities, or a proven credit risk (financial difficulties, financial restructuring, etc.) are downgraded to "doubtful" and the doubtful contagion character is applied to all financing for the third party concerned.

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all of the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the year-end, adopting a forward looking approach.

The internal ratings calibrated by AFD are by nature forward-looking, taking into account:

- forward-looking elements on the counterparty's credit quality: anticipation of adverse medium-term changes in the counterparty's position;
- country risk and shareholder support.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of 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 other comprehensive income to be included in profit and loss in the future and at amortised cost. For the purposes of stage 1 and 2 classification, counterparties with a very good rating are automatically classified as stage 1.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

Based on the specificities of 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 other comprehensive income, in line with phase 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

Probability of default (PD)

The likelihood of a default on a loan can be estimated over a given time span. This probability is modelled:

- from risk segmentation criteria;
- over a 12-month time period (noted PD 12 months) for the calculation of the expected losses for assets in stage 1; and
- on all asset payment maturities associated with stage 2 (Maturity PD or Lifetime PD Curve).

Given the low volume of loans within AFD Group, and the "low default portfolio" nature of certain portfolios, AFD Group does not have a collection of internal historic defaults that are sufficiently representative of the economic reality of the operating regions of the Group's entities.

For these reasons, AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. It may be necessary to adjust the external transition matrices that serve as the basis for measuring the probability of default in order to correct some irregularities that might affect the consistency of default probabilities.

Loss given default (LGD)

Loss given default is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

In view of AFD's business model and its debt recovery capacity, the AFD Group uses internal recovery data models based on the coverage ratios of doubtful debts and factoring in the likelihood of recovery.

Exposure at default (EAD);

Exposure at default reflects the amount of debt outstanding at the time of default and thus takes future cash flows and forward looking factors into account. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

3.3.9. Financial 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 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 risk" to bring the book value back to the new present value.

3.3.10. Gain or losses on financial instruments

3.3.11. Gain or losses on financial instruments at fair value through profit and loss

Income from financial instruments recognised at fair value through profit and loss is recognised under this heading, and mainly includes:

- Dividends, other revenue and gains and losses realised;
- Changes in fair value;
- The impact of hedge accounting.

Gains and losses on financial instruments at fair value through other comprehensive income

Income from financial instruments recognised at fair value through shareholders' equity is recognised under this heading, and includes:

- Dividends and other revenue;
- Gains and losses realised on financial assets at fair value through transferable shareholders' equity.

3.3.12. Commitments to buy back non-controlling 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 exercise date.

In the 2020 half-year financial statements, these commitments led to a debt of €82.9M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "Non-controlling interests" in the amount of €86.1M and "Consolidated reserves - Group Share" for €3.2M. The last window is scheduled to close in June 2024.

3.3.13. Fixed assets

Fixed assets appearing on AFD's balance sheet include tangible and intangible assets. Fixed assets are recorded at their acquisition cost plus directly similar 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 system	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

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

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

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

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

Leases

Leases, as defined by IFRS 16 "Leases", are recorded in the balance sheet, leading to the recognition of:

- An asset which corresponds to the right to use the leased asset over the lease duration;
- A debt in respect of the payment obligation.

Measuring the right of use in leases

At the date on which a lease comes into effect, the right of use is measured at its cost and includes:

- The initial lease debt, to which is added, if applicable, advance payments made to the lessor, net of any benefits received from the lessor;
- If applicable, the initial direct costs incurred by the lessee to complete the contract. These are costs that would not have been incurred if the contract had not been signed;
- The estimated costs to rehabilitate and dismantle the rented asset according to the lease terms.

After the initial recognition of the lease, the right of use is measured according to the cost method, involving the recognition of linear depreciation and impairment in accordance with the provisions of IAS 16 (the depreciation method reflecting the way in which the future economic benefits will be consumed).

Measuring the right of use of the assets

On the date a lease takes effect, the lease debt is recognised for an amount equal to the discounted value of the rent over the lease period. The amounts taken into account in respect of rent when measuring the debt are:

- The fixed payments of rent less incentive benefits received from the lessor;
- The variable payments of rent based on an index or rate;
- The payments to be made by the lessee in respect of a residual value guarantee;
- The price paid to exercise a purchase option that the lessee is reasonably certain to exercise;
- The penalties to be paid in the event of the exercise of a cancellation option or the non-renewal of the lease.

The leases signed by AFD Group do not include a guaranteed value clause for rented assets.

The change in the debt related to the lease involves:

- An increase up to the interest rate expenses set by applying the discount rate to the debt;
- And a decrease in the amount of the rent payments made.

The financial expenses for the period relating to the lease debt are recorded under "Interest and similar expenses on transactions with credit institutions".

In the income statement, the impairment expense for the right to use the asset and the financial expense relating to the interest on the lease debt partially replace the operating expense previously recognised for rent, but are presented as two different items (the impairment expense in depreciation expenses and rent in other administrative expenses).

The lease debt is estimated again in the following situations:

- Review of the lease period;

- Modification related to the assessment of the reasonably certain exercise of an option (or not);
- New estimate related to the guarantees of residual value;
- Review of the rates or indexes on which the rent is based.

3.3.14. 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 sovereign risk and the principles for using those provisions.

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 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.

Provisions on financing and guarantee commitments

Financing and guarantee commitments that are not recognised at fair value through profit and loss and that do not correspond to derivatives are subject to provisions according to the principles defined by IFRS 9.

Provisions for subsidiary risk

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

Provision for employee benefits – Post-employment benefits

Defined benefit plans

➢ Retirement and early retirement commitments

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

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

The assumptions used for the valuations are as follows:

- Discount rate: 0.00%;
- Retirement age: 63 for non-executive level employees and 65 for executive level employees;
- Annual increase in salary: 2.00%.

➢ Retirement bonuses and the financing of the health insurance plan

AFD pays retirement bonuses (IFC) to its employees. It also contributes to the cost of its retired employees' health insurance plans.
The assumptions used for the valuations are as follows:

- Discount rate: 1.00%;
- Annual increase in salary: 2.00%;
- Retirement age: 63 for non-executive level employees and 65 for executive level employees;
- 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). In the absence of any significant change in rates, the valuation of social commitments did not change at 30 June 2020.

3.4. Deferred Tax

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

AFD Group recognises deferred taxes mainly on the unrealised gains and losses of the equity securities held by Proparco and FISEA, impairment recognised by Proparco on loans at amortised cost and on unrealised gains and losses on loans recognised at fair value through profit and loss by applying the current rates.

3.5. 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 grant activity is the Group's main activity, falling within the scope of its public service role of financing development assistance.

3.5.1. 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 tangible assets 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 half-year financial statements 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.

3.6. Notes to the financial statements at 30 June 2020

3.6.1. Notes to the Balance Sheet

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

		30/06/2020			31/12/2019		
in thousands of euros	Notes	Assets	Liabilities	Notional/Outstanding	Assets	Liabilities	Notional/Outstanding
Interest rate derivatives		374	12 692	542 614	374	11 550	568 885
Foreign exchange derivatives		43 671	254 424	5 123 103	65 402	268 707	4 993 202
Derivatives at fair value through profit and loss		102 721	87 484	1 214 600	77 917	77 474	1 284 569
Loans and securities that do not meet SPPI criteria	1.2	2 515 867		2 504 922	2 594 420		2 552 997
CVA/DVA		47	2 655	-	32	1 967	-
Total		**2 662 680**	**357 255**	**9 385 240**	**2 738 145**	**359 697**	**9 399 652**

Note 1.1 Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives are measured at fair value through profit and loss and are therefore treated as financial assets held for trading.

Under IFRS, a derivative is always presumed to be held for trading, unless there is documented evidence of the hedging intention and the derivative is eligible for hedge accounting. For AFD, this category includes hedging instruments that are not eligible for hedge accounting ("natural" currency hedges) - note 13.

Note 1.2 Debt instruments that do not meet the SPPI criteria

in thousands of euros	Notes	30/06/2020	Notional/ Outstanding	31/12/2019	Notional/ Outstanding
Loans to credit institutions	1.2.1	**524 104**	**532 903**	**483 040**	**482 847**
Performing loans		512 506	505 165	469 839	466 558
Doubtful outstandings		11 597	27 738	13 201	16 290
Loans to customers	1.2.1	**769 747**	**759 516**	**813 498**	**819 621**
Performing loans		757 180	717 991	808 480	799 890
Doubtful outstandings		12 568	41 524	5 017	19 730
Title		**1 222 015**	**1 212 504**	**1 297 882**	**1 250 529**
Bonds and other long-term securities	1.2.2	35 897	34 825	45 769	47 173
UCITS		52 913	41 047	52 728	41 051
Equity investments	1.2.3	1 133 206	1 136 631	1 199 384	1 162 304
Of which equity stakes held in investment funds		984 660	1 031 266	1 022 251	1 025 387
Of which equity stakes held directly with a put option		148 545	105 365	177 133	136 917
Total		**2 515 867**	**2 504 922**	**2 594 420**	**2 552 997**

Note 1.2.1 Loans that do not meet 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. Loan contracts may also include a remuneration clause indexed to the borrower's performance. The flows of these loans are not considered as SPPI as they do not only reflect the effect of changes in the benchmark interest rate.

As a result, the AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan in accordance with the accounting rules applied by the Group.

Note 1.2.2 Bonds and other long-term securities

Convertible bonds are debt instruments for which the contractual flows do not meet SPPI characteristics due to the nature of the flows exchanged, and are consequently assessed at fair value through profit and 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 financing by supporting a large number of companies doing business in multiple sectors, thus promoting economic growth and the creation of job-creating businesses.
The AFD Group also holds direct equity investments with put options for operational purposes.
The contractual flows of these financial assets are not SPPI and are therefore measured at fair value through profit and loss.

Note 1.3 Equity instruments at fair value through profit and loss

Equity instruments measured at fair value through profit and loss correspond to investments held by AFD for which the classification at fair value through non-transferable shareholders' equity has not been selected.
The Group had opted for a classification at fair value through non-transferable shareholders' equity for its portfolio of direct equity investments without put options, which make up the majority of the Group's equity instruments.

Note 2 – Financial hedging derivatives

Note 2.1 Fair value hedging instruments

in thousands of euros	30/06/2020 Book value Assets	30/06/2020 Book value Liabilities	30/06/2020 Notional	31/12/2019 Book value Assets	31/12/2019 Book value Liabilities	31/12/2019 Notional
Fair value hedging						
Interest rate derivatives	2 184 088	1 242 359	44 875 777	1 787 322	940 348	41 278 499
Interest rate and foreign exchange derivatives (cross-currency swaps)	774 877	855 500	11 515 870	771 655	545 769	10 580 278
Total	**2 958 965**	**2 097 859**	**56 391 646**	**2 558 978**	**1 486 118**	**51 858 777**

Analysis by residual duration (notional)

The breakdown of the notional amount of hedging derivatives is presented by residual contractual maturity.

in thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	30/06/2020
Fair value hedging					
Interest rate derivatives	75 000,00	2 074 700	12 130 139	30 595 937	44 875 777
Interest rate and foreign exchange derivatives (cross-currency swaps)	1 116 016	1 345 018	4 862 630	4 192 206	11 515 870
Total	**1 191 016**	**3 419 718**	**16 992 770**	**34 788 143**	**56 391 646**

Note 3 – Financial assets at fair value through other comprehensive income

in thousands of euros	30/06/2020		31/12/2019	
	Book value	Change in fair value over the period	Book value	Change in fair value over the period
Debt securities recognised at fair value through other comprehensive income to be recycled in profit or loss	**958 853**	**-2 343**	**1 057 076**	3 468
Government paper and equivalent	776 598	-3 764	874 958	5 199
Bonds and other securities	182 255	1 421	182 118	- 1 731
Equity securities recorded at fair value through other comprehensive income not to be recycled in profit or loss	**466 867**	**-20 171**	**455 470**	- 14 476
Unconsolidated equity stakes	466 867	-20 171	455 470	- 14 476
Total	**1 425 720**	**-22 514**	**1 512 546**	**- 11 008**

Note 4 – Financial assets and liabilities at fair value measured according to the level of fair value

in thousands of euros	30/06/2020				31/12/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Equity instruments at fair value through profit and loss	-	-	1 133 206	**1 133 206**	-	-	1 199 384	**1 199 384**
Debt securities that do not meet the SPPI criteria	52 913	-	1 329 748	**1 382 661**	52 728	-	1 342 307	**1 395 036**
Financial assets recorded through equity	958 853	-	466 867	**1 425 720**	1 026 347	30 729	455 470	**1 512 546**
Hedging derivatives (Assets)	-	2 958 965	-	**2 958 965**	-	2 558 977	-	**2 558 977**
Financial liabilities at fair value through profit or loss	-	356 621	634	**357 255**	-	358 033	1 666	**359 698**
Hedging derivatives (Liabilities)	-	2 097 859	-	**2 097 859**	-	1 486 117	-	**1 486 117**
Derivatives	-	136 980	9 833	**146 814**	-	138 282	5 444	**143 726**

Note 5 – Financial instruments at amortised cost

Financial assets at amortised cost

in thousands of euros	Notes	30/06/2020		31/12/2019	
		Demand	Term	Demand	Term
Debt securities at amortised cost	5.1		1 343 751		1 221 164
Loans and receivables due from credit institutions	5.2	921 225	7 035 716	2 164 099	5 915 995
Loans and receivables due from customers	5.2		30 380 911		28 822 617
Total		**921 225**	**38 760 378**	**2 164 099**	**35 959 776**

Note 5.1 Debt securities at amortised cost

in thousands of euros	30/06/2020		31/12/2019	
	Demand	Term	Demand	Term
Government paper and equivalent	-	680 929	-	704 462
Bonds and other securities	-	662 822	-	516 702
Total	**-**	**1 343 751**	**-**	**1 221 164**
Impairments	-	-	-	-
Total	**-**	**-**		**-**

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

in thousands of euros	30/06/2020		31/12/2019	
	Demand	**Term**	**Demand**	**Term**
Loans to credit institutions at amortised cost		**5 390 061**		**5 118 882**
Performing loans		5 090 452		4 910 692
Doubtful outstandings		299 608		208 190
Impairments		**-123 137**		**-97 110**
Related receivables		**69 553**		**76 123**
Valuation adjustments of loans hedged by forward financial instruments		**58 609**		**48 177**
Subtotal		**5 395 085**		**5 146 072**
Loans to customers at amortised cost		**29 368 407**		**28 366 744**
Performing loans		28 116 484		27 259 287
Doubtful outstandings		1 251 923		1 107 456
Impairments		**-751 140**		**-658 164**
Related receivables		**42 926**		**52 779**
Valuation adjustments of loans hedged by forward financial instruments		**1 720 719**		**1 061 258**
Subtotal		**30 380 911**		**28 822 617**
Total loans at amortised cost	**-**	**35 775 997**	**-**	**33 968 689**
Other receivables at amortised cost				
Deposits (available cash) at credit institutions	921 225	1 640 216	2 164 099	769 552
Related receivables		414		371
Total other receivables at amortised cost	**921 225**	**1 640 631**	**2 164 099**	**769 923**
Total loans and other receivables at amortised cost	**921 225**	**37 416 627**	**2 164 099**	**34 738 612**

Note 6 – Accrual accounts and other assets/liabilities

in thousands of euros	30/06/2020		31/12/2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Guarantees against collateral	1 128 951	1 267 252	706 680	1 181 378
Allocated public funds		82 126		87 363
Other assets and liabilities	356 052	1 040 299	185 958	1 073 391
Accounts payable, French State		186 672		113 270
Total accruals and other assets/liabilities	**1 485 002**	**2 576 349**	**892 637**	**2 455 403**

Note 7 – Tangible and intangible assets

in thousands of euros	Property, plant and equipment			Intangible assets	Total	Total
	Land & development	Buildings & development	Others		30/06/2020	31/12/2019
Gross value						
At opening	88 846	224 378	64 710	100 887	478 821	464 555
Purchases	286	1 832	3 233	8 169	13 521	36 310
Disposals/retirements	20	6	42	482	551	-14 101
Other items	-61	-1 346	-1 507	-798	-3 711	-7 943
Change in scope						
At closing	**89 092**	**224 871**	**66 478**	**108 740**	**489 181**	**478 822**
Depreciation/amortisation						
At opening	3 125	137 973	44 271	64 608	249 977	230 475
Provisions	87	4 779	2 777	4 331	11 974	23 376
Reversals	2	-1	25	468	493	-3 661
Other items						-216
Change in scope						
At closing	**3 214**	**142 750**	**47 072**	**69 408**	**262 445**	**249 974**
Net value	**85 877**	**82 119**	**19 405**	**39 333**	**226 733**	**228 847**

Since 1 January 2019, the AFD Group has applied IFRS 16, resulting in a restatement of property leases impacting “Property, plant and equipment” in assets and rental debts in “Other liabilities”. At 30 June 2020, the right of use was valued at €76.05M.

Rights of use

in thousands of euros

	Registered offices	Offices	30/06/2020	31/12/2019
Net value				
At 1 January 2020	72 837	3 215	76 052	90 514
New contract			-	
Modification to contract			-	
Other item			-	
At 30 June 2020	**72 837**	**3 215**	**76 052**	**90 514**
Depreciation/amortisation	6 602	629	7 231	14 462
Net value	**66 235**	**2 586**	**68 822**	**76 052**

Note 8 – Financial liabilities at amortised cost

Debts to credit institutions and customers and debt securities issued at amortised cost

in thousands of euros	30/06/2020	31/12/2019
Debts to credit institutions at amortised cost		
Demand debts	5 111	8 807
Term debts	540	634
Related debts	-	
Total debts to credit institutions at amortised cost	**5 652**	**9 440**
Debts to customers at amortised cost		
Accounts payable, customers	1 435	1 657
Total debts to customers at amortised cost	**1 435**	**1 657**
Debt securities issued at amortised cost		
Interbank market securities	274 533	100 029
Bonds	35 145 619	32 199 229
Related debts	220 858	379 730
Valuation adjustments of debt securities issued hedged by derivatives	2 474 070	1 802 786
Total debt securities issued at amortised cost	**38 115 080**	**34 481 774**

Maturity of debt securities issued 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	30/06/2020
Maturity of debt securities issued					
Bonds	1 129 758	1 992 259	12 528 797	22 189 732	37 840 547
Interbank market securities	234 523	40 010	-	-	274 533
Total	**1 364 282**	**2 032 269**	**12 528 797**	**22 189 732**	**38 115 080**

in thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2019
Maturity of debt securities issued					
Bonds	1 858 086	2 745 406	14 887 647	14 890 606	34 381 746
Interbank market securities	100 028				100 028
Total	**1 958 114**	**2 745 406**	**14 887 647**	**14 890 606**	**34 481 773**

Debt securities issued in issue by currency

in thousands of euros	EUR	USD	JPY	CHF	AUD	30/06/2020
Debt securities issued by currency						
Bonds	30 311 677	6 961 322	119 836	282 875	164 837	37 840 547
Interbank market securities	274 533	0	0	0	0	274 533
Total	**30 586 210**	**6 961 322**	**119 836**	**282 875**	**164 837**	**38 115 080**

in thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2019
Debt securities issued by currency						
Bonds	26 792 219	7 087 171	119 118	279 081	104 156	34 381 746
Interbank market securities	100 029					100 029
Total	**26 892 248**	**7 087 171**	**119 118**	**279 081**	**104 156**	**34 481 774**

Note 9 – Provisions

Provisions		31/12/2019	Provisions	Reversals available	Translation adjustment	30/06/2020
Included in the cost of risk						
French Overseas Department subsidiary risks		29 451	-	162	-	29 290
Other provisions for risk		164 475	7 056	30 337	-	141 193
	Subtotal	*193 926*	*7 056*	*30 499*	-	*170 483*
Excluded from the cost of risk		-				
Provision for expenses – Sovereign loans		804 658	33 165	29	3	837 797
Personnel costs		146 881	-	-	-	146 881
Provision for risks and expenses		6 420	920	118	- 226	6 996
Total		**1 151 884**	**41 141**	**30 645**	**-223**	**1 162 158**

Asset impairment		31/12/2019	Provisions	Reversals available	Translation adjustment	30/06/2020
Banks		36 323	32 722	5 353	18	63 710
Credit to customers		517 774	64 828	46 484	-438	535 680
	Of which Cost of risk		*93 729*	*49 395*	*-104*	
Other receivables		10 805	-	-	*-1*	10 804
Group of homogeneous assets		201 178	81 588	7 878	-	274 887
	Of which Cost of risk		*81 588*	*7 878*	-	
Total		**766 079**	**179 138**	**59 714**	**-420**	**885 082**

Note 10 – Subordinated debt

in thousands of euros	30/06/2020	31/12/2019
Subordinated loans from the French Treasury	1 535 000	1 288 000
Related debts	567	9
TOTAL	**1 535 567**	**1 288 009**

3.6.2. Notes to the Income Statement

11– Income and expenses by accounting category

in thousands of euros	30/06/2020	30/06/2019
From financial assets measured at amortised cost	**397 946**	**427 473**
Cash and demand accounts with central banks	1 015	1 518
Loans and receivables	389 475	416 972
Transactions with credit institutions	*83 373*	*90 844*
Transactions with customers	*306 102*	*326 128*
Debt securities	7 456	8 983
From financial assets measured at fair value through other comprehensive income	**6 292**	**1 265**
Debt securities	6 292	1 265
From financial assets measured at fair value through profit and loss	**38 094**	**41 895**
Loans and receivables	38 094	41 895
Transactions with credit institutions	12 783	11 698
Transactions with customers	25 311	30 197
Interest accrued and due on hedging instruments	**347 902**	**364 074**
Other interest and similar income	**2 034**	**515**
Total interest income	**792 268**	**835 222**
From financial liabilities measured at amortised cost	**258 937**	**280 813**
Financial liabilities valued at amortised cost	258 937	280 813
Interest accrued and due on hedging instruments	**333 446**	**351 620**
Other interest and similar expenses	**99**	**451**
Total interest expenses	**592 482**	**632 884**

Note 12 – Net commissions

in thousands of euros	30/06/2020			30/06/2019		
	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	0	-	0	0	-	0
Monitoring and investment commissions	812*	517	295	51 949	511	51 438
Analysis commissions	9 918	-	9 918	5 802	-	5 802
Commissions on grants and subsidies	45 467	-	45 467	10 448	-	10 448
Miscellaneous commissions	5 096	1 100	3 996	5 719	444	5 275
Total	**61 293**	**1 616**	**59 676**	**73 917**	**955**	**72 963**

* the 2019 commissions on grants regarding the implementation of grants have been restated in ˝commissions on grants and subsidies˝.

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

in thousands of euros	30/06/2020 Gains and losses on financial instruments at fair value through profit and loss	30/06/2019 Gains and losses on financial instruments at fair value through profit and loss
Financial assets and liabilities at fair value through profit and loss	-97 947	4 206
Dividends received	8 716	3 507
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	-99 402	4 504
Loans and hedging at fair value through profit and loss	-7 262	-3 805
Income resulting from hedge accounting	-8 685	11 248
Change in fair value of hedging derivatives	*-42 055*	*201 880*
Change in fair value of the hedged item	*33 370*	*-190 632*
Natural hedging	-10 395	7 281
CVA/DVA/FVA	-673	3 883
Total	**-122 497**	**26 618**

Note 14 – Net gains and losses on financial assets at fair value through other comprehensive income

in thousands of euros	30/06/2020	30/06/2019
Dividends received on equity instruments recognised at fair value through non-recyclable other comprehensive income	2 076	5 864
Gains or losses on equity instruments recognised at fair value through non-recyclable other comprehensive income	-	-
Gains or losses on debt securities recognised at fair value through recyclable other comprehensive income	-675	-761
Net gains or losses on financial assets recognised in equity	**1 401**	**5 103**

Note 15 – Income from other activities

in thousands of euros	30/06/2020	30/06/2019
Subsidies	113 145	107 168
Other income	11 063	13 017
Total	**124 209**	**120 185**

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

Personnel expenses

in thousands of euros	30/6/2020	30/6/2019
Personnel expenses		
Wages and bonuses	105 036	93 110
Social security expenses	37 132	35 140
Profit sharing	4 331	4 087
Taxes and similar payments on remuneration	9 621	9 271
Provisions/reversal of provisions	-	70
Rebilling banks’ staff	-3 904	-5 008
Total	**152 216**	**136 671**

Other operating expenses

in thousands of euros	30/06/2020 IFRS	30/06/2019 IFRS
Other operating expenses		
Taxes	9 033	8 003
of which application of IFRIC 21	*3 605*	*3 197*
Outside services	53 680	62 566
Rebilled expenses	-712	-1 182
Total	**62 001**	**69 387**

Note 17 – Cost of risk

in thousands of euros	30/06/2020	30/06/2019
Impairments on performing (Stage 1) or deteriorated (Stage 2) assets	**-47 334**	**-28 769**
Stage 1: Losses assessed at the amount of expected credit losses for the coming 12 months	**2 493**	**-1 688**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	735	-651
Signature commitments	1 758	-1 038
Stage 2: Losses assessed at the amount of expected credit losses for the lifetime	**-49 827**	**-27 081**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-74 412	2 389
Signature commitments	24 585	-29 470
Impairments of impaired assets (Stage 3)	**-51 876**	**-64 667**
Stage 3: Impaired assets	**-51 879**	**-64 368**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-32 248	-58 599
Signature commitments	-19 631	-5 769
Other provisions for risk	**2**	**-299**
Net reversals of impairments and provisions	**-99 210**	**-93 437**
Losses on bad loans and receivables not written off	-1 828	-994
Recovery of loans and receivables	1	81
Discounts on restructured credits	28	-566
Cost of credit risk	**-101 008**	**-94 917**

Note 18 – Investments accounted for using the equity method

in thousands of euros	30/06/2020		31/12/2019		30/06/2019	
Impact	*Balance sheet*	*Income*	*Balance sheet*	*Income*	*Balance sheet*	*Income*
SIC	34 266	-2 156	37 138	-5 884	39 919	-3 701
Socredo	108 978	-638	109 616	4 300	107 948	2 633
Total	**143 244**	**-2 794**	**146 753**	**-1 584**	**147 867**	**-1 069**

Note 19 – Income tax

in thousands of euros	30/06/2020	30/06/2019
Income tax	**3 825**	**-5 288**
Taxes due	-516	-8 798
Deferred tax	4 341	3 511

Underlying tax position

in thousands of euros	30/06/2020	30/06/2019
Net income	**-74 347**	**94 771**
Income tax	3 825	-5 288
Pre-tax income	**-78 172**	**100 059**
Total theoretical tax expense 32.02% (A)	**2 369**	**-37 876**
Total matching items (B)	**1 456**	**32 589**
Net recorded tax expense (A) + (B)	**3 825**	**-5 288**

Deferred taxes are estimated on the basis of the following assumptions:

- Deferred taxes based on impairments were estimated on the basis of the following rates: 28.92% for stage 1 (rate in force in 2020) and 25.83% for stage 2 (rate in force from 2021);
- Deferred taxes based on the unrealised gains or losses on loans, investments and convertible bonds were estimated on the basis of the rate of 28.92%.

Note 20 – Financing and guarantee commitments

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

in thousands of euros	**30/06/2020**	**31/12/2019**
Commitments received		
Financing commitments received from the French State	-	-
Guarantee commitments received from the French State on loans	1 327 479	1 151 055
Guarantee commitments received from credit institutions	796 695	754 142
as part of the Group's credit activity	*796 695*	*754 142*
Commitments given		
Financing commitments made to credit institutions	1 445 250	1 735 164
Financing commitments made to customers	13 346 045	12 767 039
Guarantee commitments made to credit institutions	114 111	140 169
Guarantee commitments made to customers	512 338	584 889

The commitments received do not include transactions on behalf of the State.

3.7. Credit risk

○ Concentration of credit risk

Financial assets at amortised cost

	Performing assets		**Doubtful assets Stage 3**	**Financial assets impaired from their acquisition or creation**	**Total**
	Stage 1	**Stage 2**			
in thousands of euros	**Book value**				
Investment grade (AAA to BBB-)	5 496 587	366 795			**5 863 382**
BB+ to BB-	2 119 988	3 081 324		12 030	**5 201 312**
B+	451 610	452 497			**904 107**
B	574 894	833 388			**1 408 281**
B-	88 498	979 978		14 046	**1 068 476**
CCC to D-			1 371 731	31 618	**1 371 731**
Total at 30 June 2020	**8 731 577**	**5 713 981**	**1 371 731**	**57 695**	**15 817 289**
Investment grade (AAA to BBB-)	5 504 063	316 030		5 055	**5 820 094**
BB+ to BB-	2 821 047	2 583 182		29 057	**5 404 229**
B+	649 005	197 935		108	**846 940**
B	642 809	695 162		6 314	**1 337 971**
B-	75 019	749 229		185 024	**824 249**
CCC to D-			1 163 364	121 934	**1 163 364**
Total at 31 December 2019*	**9 691 944**	**4 541 538**	**1 163 364**	**347 492**	**15 396 846**

Financial liabilities at fair value through other comprehensive income to be included in profit and loss in the future

	Performing assets		Doubtful assets Stage 3	Financial assets impaired from their acquisition or creation	Total
	Stage 1	Stage 2			
in thousands of euros	Book value				
Investment grade (AAA to BBB-)	2 103 400				**2 103 400**
BB+ to BB-					
B+					
B					
B-					
CCC to D-					
Total at 30 June 2020	**2 103 400**	**0**	**0**	**0**	**2 103 400**
Investment grade (AAA to BBB-)	2 277 250				**2 277 250**
BB+ to BB-					
B+					
B					
B-					
CCC to D-					
Total at 31 December 2019*	**2 277 250**				**2 277 250**

Financing commitments

	Performing commitments		Doubtful commitments Stage 3	Financial commitments impaired from their acquisition or creation	Total
	Stage 1	Stage 2			
in thousands of euros	Amount of commitment				
Investment grade (AAA to BBB-)	815 968	3 990			**819 958**
BB+ to BB-	1 008 280	221 120		42 953	**1 229 400**
B+	80 113	45 000			**125 113**
B	224 086	268 315			**492 401**
B-	19 566	274 696		25 500	**294 262**
CCC to D-			112 042	24 509	**112 042**
Total at 30 June 2020	**2 148 013**	**813 121**	**112 042**	**92 962**	**3 073 176**
Investment grade (AAA to BBB-)	1 035 623	8 070		6 722	**1 043 693**
BB+ to BB-	1 279 990	280 109		97 500	**1 560 099**
B+	147 028	66 680		60 000	**213 708**
B	355 758	208 380		30 746	**564 138**
B-	47 936	285 998		100 193	**333 934**
CCC to D-			93 883	9 652	**93 883**
Total at 31 December 2019*	**2 866 335**	**849 237**	**93 883**	**304 813**	**3 809 455**

Guarantee commitments

in thousands of euros	Performing commitments		Doubtful commitments Stage 3	Financial commitments impaired from their acquisition or creation	Total
	Stage 1	Stage 2			
	Amount of commitment				
Investment grade (AAA to BBB-)	29 368	684			**30 051**
BB+ to BB-	24 325				**24 325**
B+	10 000				**10 000**
B	59 119	446 393		34 682	**505 511**
B-					**0**
CCC to D-			44 939	772	**44 939**
Total at 30 June 2020	**122 811**	**447 076**	**44 939**	**35 455**	**614 826**
Investment grade (AAA to BBB-)	55 615	1 031		1 031	**56 646**
BB+ to BB-	11 614	463 875		178 431	**475 489**
B+					**-**
B	54 277	76 924		60 105	**131 201**
B-					**-**
CCC to D-			36 807	1 084	**36 807**
Total at 31 December 2019*	**121 506**	**541 830**	**36 807**	**240 650**	**700 143**

* The breakdown at 31 December 2019 of assets and liabilities by stratum and rating published in this report differs from the one published in the Financial Statements at 31 December 2019 due to a change in consolidation scope.

- **Exposure to credit risk: Change in the book values and value adjustments for losses over the period**

Value adjustments for losses correspond to impairment on assets and provisions on off-balance sheet commitments recognised in net income ("Cost of risk") in respect of the credit risk.

The following tables present a reconciliation of the opening and closing balances of the value adjustments for losses recognised in "Cost of risk" and the associated book values, by accounting category and type of instrument.

Assets at amortised cost: Loans and receivables due from credit institutions

in thousands of euros	Performing assets		Doubtful assets Stage 3	TOTAL
	Stage 1	Stage 2		
At 1 January 2020*	**5 891**	**54 896**	**185 624**	**246 411**
Change in impairments of loans at amortised cost to credit institutions				
New production: purchase, grant, origin, etc.	730	31	-	**762**
Change in the credit risk parameters over the period	(231)	(1 891)	38 838	**36 716**
Total change in impairments	**499**	**(1 859)**	**38 838**	**37 478**
At 30 June 2020	**6 390**	**53 037**	**224 462**	**283 889**

Assets at amortised cost: Loans and receivables due from customers

in thousands of euros	Performing assets		Doubtful assets	TOTAL
	Stage 1	Stage 2	Stage 3	
At 1 January 2020*	**4 728**	**135 663**	**451 188**	**591 579**
Change in impairments of loans at amortised cost to customers				
New production: purchase, grant, origin, etc.	568	792	-	**1 360**
Change in the credit risk parameters over the period	(1 802)	75 512	15 750	**89 460**
Total change in impairments	**(1 234)**	**76 304**	**15 750**	**90 820**
At 30 June 2020	**3 494**	**211 967**	**466 938**	**682 399**

Financing and guarantee commitments

in thousands of euros	Performing assets		Doubtful assets	TOTAL
	Stage 1	Stage 2	Stage 3	
At 1 January 2020*	**4 392**	**122 293**	**34 163**	**160 848**
Change in impairment of financing and guarantee				
New production: purchase, grant, origin, etc.	305	1 276	-	**1 581**
Change in the credit risk parameters over the period	(2 063)	(25 861)	2 917	**(25 007)**
Total change in impairments	**(1 758)**	**(24 585)**	**2 917**	**(23 426)**
At 30 June 2020	**2 633**	**97 709**	**37 080**	**137 422**

* The stratified provisioning amounts for assets and liabilities at 1 January 2020 published in this report differ from those published in the financial statements at 31 December 2019 due to a change in consolidation scope.

3.8. Additional information

IFM balance sheet

in thousands of euros	30/06/2020	31/12/2019
Assets		
Loans and receivables due from credit institutions	400 152	734 217
Demand	*157 351*	*393 395*
Term	*242 802*	*340 822*
Accruals	9 285	23 715
Total assets	**409 437**	**757 933**
Liabilities		
Debt securities in issue	405 279	755 090
Bonds	*400 000*	*734 000*
Of which accrued interest	*5 279*	*21 090*
Accrual accounts and other liabilities	4 158	2 843
Total liabilities	**409 437**	**757 933**

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 €0.1M, the IMF loans have no impact on AFD Group's financial position.

3.9. Significant events after 30 June 2020

No significant events took place after 30 June.

3. Report of the Statutory Auditors on the 2020 half-year financial information

Period from 1 January 2020 to 30 June 2020

To the board of directors of Agence Française de Développement,

In compliance with the assignment entrusted to us by your board of directors and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Agence Française de Développement, for the six months ended June 30, 2020;

- the verification of the information presented in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Chief Executive Officer on September 7, 2020, based on information available at that date in the evolving context of the COVID-19 crisis and difficulties in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRSs as adopted by the European Union applicable to interim financial information.

II - Special verification

We have also verified the information presented in the interim management report on the condensed interim consolidated financial statements prepared on September 7, 2020 subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris La Défense and Paris, September 16, 2020

The statutory auditors
French original signed by

KPMG S.A. **BDO Paris Audit & Advisory**

Valéry Foussé Arnaud Naudan

4. Person responsible for the half-year financial statements

Name and position

Philippe Bauduin: Deputy Chief Executive Officer

Certification of the person responsible

I certify that to the best of my knowledge the condensed financial statements for the past half-year are drawn up in accordance with the applicable accounting standards, 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 half-year management report featured on page 2 faithfully presents the significant events having occurred in the first half of the financial year and their impact on the financial statements, and describes the primary risks and uncertainties for the second half of the financial year.

Paris, 16 September 2020

Deputy Chief Executive Officer

Philippe Bauduin