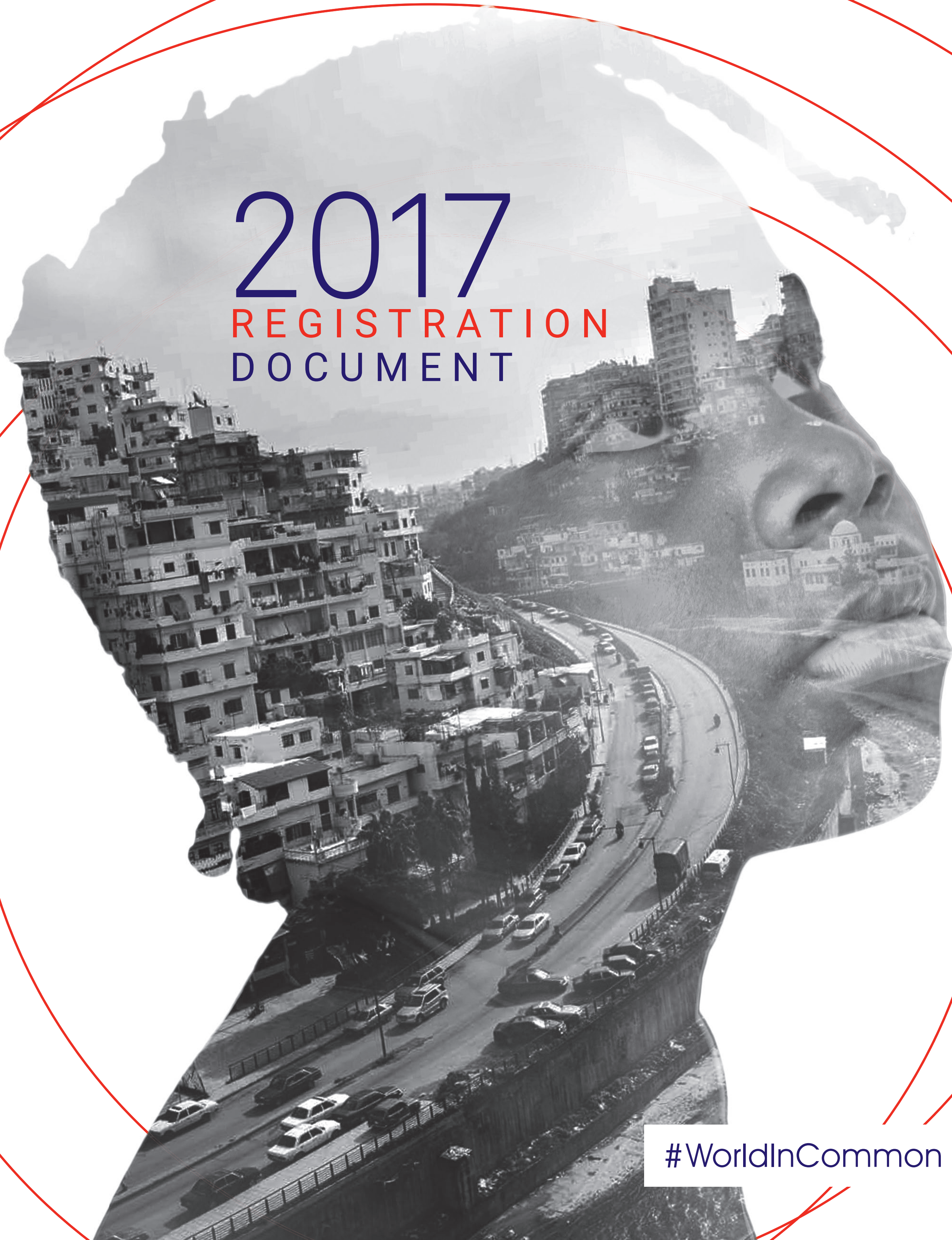
AFD
AGENCE FRANÇAISE DE DÉVELOPPEMENT

2017 REGISTRATION DOCUMENT



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2017 REGISTRATION DOCUMENT

€10.3bn
COMMITMENTS BY AFD GROUP (AFD AND PROPARCO)

€312.8M
NET INCOME - GROUP SHARE

€30.4bn
NET OUTSTANDINGS

2,531
EMPLOYEES

€6.3bn
EQUITY

This Registration Document was filed with the French Financial Markets Authority (AMF) on 24th April 2018 in accordance with Article 212-13 of its general regulation. It may be used in support of a financial transaction if it is accompanied by a Transaction Memorandum duly approved by the AMF.

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

METHODOLOGY AND GLOSSARY

FIGURES

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

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

Commitments are presented net of cancellations during the year.

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

SCOPE

Except for the table in Chapter 1.5.3 "AFD Group activities", which presents all of the activities carried out by AFD on its own behalf and on behalf of third parties, all other data included in this document cover the same scope as that used to prepare financial statements established according to international accounting standards – in other words, only activities on AFD's own behalf.

GLOSSARY

AT: Technical assistance

ACPR: French Prudential Supervisory Authority

GBS: *General budget support*

Ademe: French Environment and Energy Management Agency

AFD: Agence Française de Développement

APD: Official Development Assistance

ARIZ: Support for the Risk of Financing Private Investment in AFD's Areas of Operation

ECB: European Central Bank

BPI: Public Investment Bank

C2D: Debt Reduction-Development Contracts

CCE: Central Works Council

CEFEB: Centre for Financial, Economic and Banking Studies

CFF: Crédit Foncier de France

CHSCT: Health, Safety and Working Conditions committee

CICID: Committee for International Cooperation and Development

CMF: French Monetary and Financial Code

COM: Contractual targets and resources

COS: Strategic Steering Committee

CPC: Permanent Control and Compliance Department

DFC: Finance and Accounting Department

DFID: Department for International Development

DOM: French Overseas Department

EPIC: Industrial and commercial public undertaking

FEXTE: Fund for Technical Expertise and Experience

FFEM: French Global Environment Facility

Fisea: Investment and Support Fund for Businesses in Africa

PRGF: Poverty Reduction and Growth Facility

FSD: Solidarity Fund for Development

FSP: Priority Solidarity Fund

MEAE: French Ministry of Europe and Foreign Affairs

Previously called **MAE** *(French Ministry of Foreign Affairs and International Development)*

MINEFI: French Ministry of the Economy and Finance

NAO: Mandatory Annual Negotiations

SDO: Sustainable development objectives

NGO: Non-Governmental Organisation

OSEO: Development Bank for Small and Medium-sized Enterprises

DC: Developing country

PEE: Employee Savings Plan

LDC: *Least developed countries*

HIPC: Heavily-indebted poor countries

MIC: *Middle-income countries*

RCS: Resources with special conditions

FFT: Financial transaction tax

PSZ: Priority Solidarity Zone

1

PRESENTATION OF AFD

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1.1 GENERAL INFORMATION

1.1.1 Legal status

Head office

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

Legal form

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

ACPR supervision

By a European Central Bank (ECB) decision of 30 June 2017, AFD was placed under the direct supervision of the French Prudential Supervisory Authority (ACPR) after AFD asked to change from approval as a specialist bank to that of a financing company, given that (i) it no longer held deposits or repayable funds from the public and (ii) Decree No. 2017-582 of 20 April 2017 amended the French Monetary and Financial Code which gave AFD its specialist bank status.

The issuer's governing law

AFD is subject to French law.

Date of creation and duration

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

Corporate purpose

In accordance with CMF Article R.515-6, AFD's role is to carry out financial operations that contribute to the implementation of the French State's official development aid policy to developing countries abroad and the development of the French Overseas Departments and Collectivities and New Caledonia. To this end, AFD finances environmentally friendly development operations and may conduct other activities and services linked to its role. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

Trade and companies registration

RCS Paris B 775 665 599

Consultation of legal documents

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

Financial Year

From 1 January to 31 December.

Documents available to the public

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

a) AFD's memorandum of association, amending decrees and bylaws;
b) any reports, correspondence and other documents, historical financial information, appraisals and declarations prepared by an expert at AFD's request, part of which are included or referred to in this Registration Document;
c) historical financial information relating to AFD and its subsidiaries for each of the two financial years preceding the publication of this Registration Document.

Hard copies of the aforementioned documents may be consulted at AFD's Head Office or on its website, www.afd.fr.

1.1.2 General information about AFD's capital

AFD's funding

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

1.1.3 Current breakdown of share capital and voting rights

(Not applicable)

1.1.4 AFD's stock issues

(Not applicable)

1.1.5 Dividends

Pursuant to Article 79 of the amending Finance Bill 2001-1276 of 28 December 2001 a dividend may be paid to the French State.

1.2 AFD OPERATIONS

1.2.1 General comments

Main missions

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

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

- It is also responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R.515-6 of the CMF);
- In addition to carrying out operations on its own behalf, it is authorised to conduct a certain number of operations on behalf of third parties:
  - As such, it may represent financing companies, other French or international credit institutions, the European Union, foreign governments or international organisations and institutions (Article R.515-13 of the CMF). Since 2001, it has represented Caisse des Dépôts et Consignations for some of its activities in the French Pacific Collectivities and in Saint Pierre and Miquelon. Since 1 January 2014, it has represented Bpifrance Financement in the French Overseas Departments and Collectivities,
  - It can also manage activities funded by the European Union, international institutions and organisations and foreign governments, as well as by local authorities, credit institutions and other development banks or public or private institutions (Article 10 of Act 2014-773 of 7 July 2014 Guidance and planning related to development and international solidarity policy). AFD also manages operations financed by the French State's budget on behalf and at the risk of the latter (Article R.515-12 of the CMF);
- It has the task of managing the annual loan portfolio delegated by the State for financing projects proposed by NGOs and ensuring project design and evaluation;
- AFD is increasingly focused on its intellectual output, in other words, discussion, production, capitalisation and research relating to development aid and sustainable development issues;
- Lastly, AFD, provides training and continuing education for top-level managers in the foreign countries and the French Overseas Departments and Collectivities in which it is active via the Development Campus (formerly CEFEB: Centre for Financial, Economic and Banking Studies), which it founded in 1961.

Contractual targets and resources

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

The next contractual targets and resources are currently under negotiation with the French Government

1.2.2 Activities of AFD on its own behalf

The following types of financing are available:

In foreign countries

- Ongoing operations
  - Subsidies

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

  - Loans
  - The non-sovereign pricing structure includes subsidised products with subsidy levels that vary primarily according to counterparty and country risk. This subsidy is obtained through the use of direct subsidies from the State's budget resources. The structure also includes a market-rate product that is entirely unsubsidised.
  - The sovereign pricing structure includes concessional products obtained due to direct subsidisation and/or use of RCSs from the French Treasury. The level of subsidisation varies according to country and project. The structure also includes a loan with indirect subsidisation.
  - Guarantees

Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, issue subscriptions or cash facilities and, on the other hand, guarantee commitments through Ariz, its guarantee facility. This facility guarantees private-sector outstandings through local banks that request it. Backed by capital of €295M, Ariz is available to any AFD operating region provided it meets the geographical objectives set in its contractual targets and resources. Ariz offers two standard individual guarantee and portfolio guarantee products and additional innovative products such as a capital guarantee.

  - Equity investment in foreign countries
- Mandate-specific operations

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

In the French Overseas Departments and Collectivities

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

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

1.2.3 Other AFD activities

1.2.3.1 Intellectual output

The Innovations, Research and Knowledge Division undertakes a series of research, training and publication activities which are in line with AFD's strategic and operational orientations.

1.2.3.2 The Sustainable Development Awareness Department: tasked with promoting knowledge about sustainable development

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

1.2.4 AFD mandate-specific activities

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

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

- the framework agreements between AFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the MAE to AFD;
- the agreement of 23 December 2003 related to the implementation of bilateral aid in Heavily-Indebted Poor Countries (HIPC). Refinancing through donations, particularly in the form of debt reduction-development contracts (C2D) as part of the debt relief programme for HIPCs and the conversion of monetary debts;
- the agreement of 6 December 2016 on the implementation of the Trade Capacity Building Program (TCBP);
- the agreement of 15 December 2016 related to the management by AFD of the Solidarity Fund for Development (FSD) financed by a tax on plane tickets and the tax on financial transactions. As a priority, FSD inflows are used to pay for multi-lateral aid expenses for development related to global public goods in the areas of health, climate and environment and in particular to fund the International Finance Facility for Immunisation (IFFIm);

- the agreement of 24 November 2017 related to the management by AFD of the loan granted to the African Development Fund (ADF) for the French representation.

Furthermore, pursuant to Article 10 of Act 2014-773 of 7 July 2014 on Guidance and planning related to development and international solidarity policy, AFD is authorised to carry out activities on behalf of third parties such as the European Union, international institutions and organisations, foreign governments, any public authority, financial institutions and other development banks or public or private institutions. To this end, it has been entrusted with managing loans delegated by the European Commission or other backers (the UK's DFID, the Monegasque Cooperation, etc.).

In accordance with international accounting regulations, these activities are excluded from the consolidated balance sheet. AFD's compensation for this type of activity is decided on a case-by-case basis as set out by the agreement and is intended to cover AFD's costs.

1.2.5 AFD's operating scope (see Appendix I)

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

The CICID has drawn up a list of priority countries on which will be focussed half of the public subsidies and two-thirds of the grants that AFD implements.

The CICID also decided to strengthen cooperation with a number of other priority countries whose development and stability are a priority for France. In this context, the French government authorised AFD to conduct research in the Western Balkans and in Ukraine.

1.3 FINANCING ACTIVITIES ON ITS OWN BEHALF

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

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

Budgetary resources

- funds for foreign country and French Overseas Departments and Collectivities loan subsidies (€218M of credit appropriations received in 2017);
- subsidies received from the State for project subsidy and NGO activities (€195M of credit appropriations received in 2017).

Financial transaction tax (FTT)

A portion of the FTT is assigned directly to AFD. In 2017, AFD received €270M from this tax.

Loans from the State (RCS)

AFD contracts loans with the State for a period of 30 years, including 10 years deferred at 0.25%. Apart from the liquidity which they provide and their eligibility for Tier 2 of the regulatory capital, these resources contribute to subsidising the outstandings that justify the use of State rates: the financial advantage in comparison with market resources is thus measured and injected into operations making use of subsidies. For 2017, AFD received €160M, equating to the first part of the final tranche of the €280M set aside for the series of measures to increase the equity capital of the Office (RCS eligible exceptionally for compartment AT1 of the regulatory capital).

Market borrowings

AFD's bond issues totalled €6,233M in 2017.

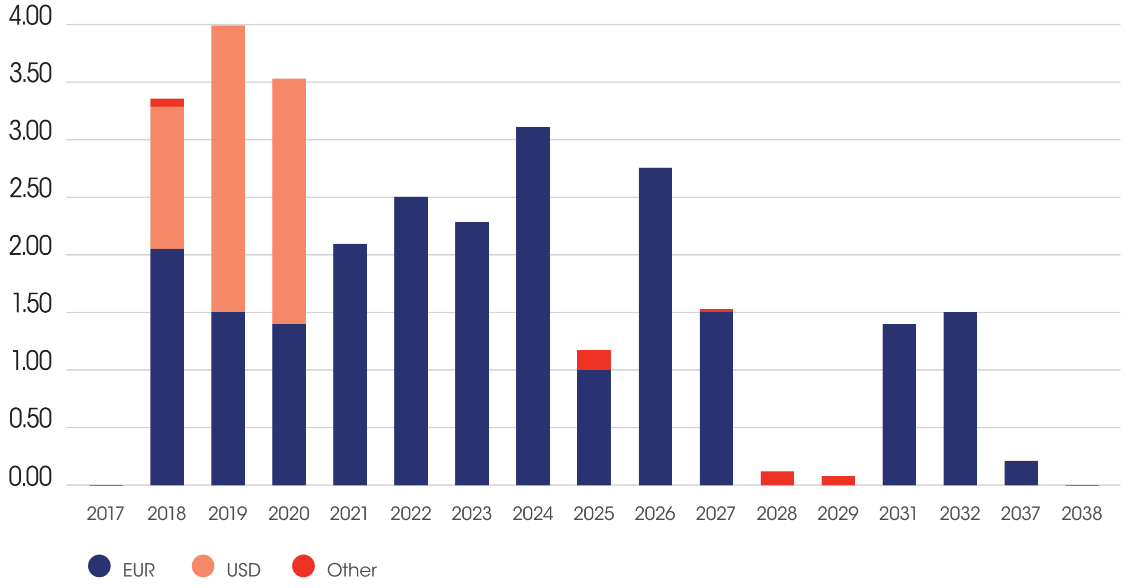
AFD has made four bond issuances in the form of public issues on the euro and US dollar markets for a total of €4,292M:

- €1,500M for 5.25 years (maturity April 2022);
- €1,000M for 15 years (maturity July 2032);
- $1,250M for 3 years (equivalent to €1,042M; maturity September 2019);
- €750M for 6 years (maturity November 2023) in the form of climate bonds.

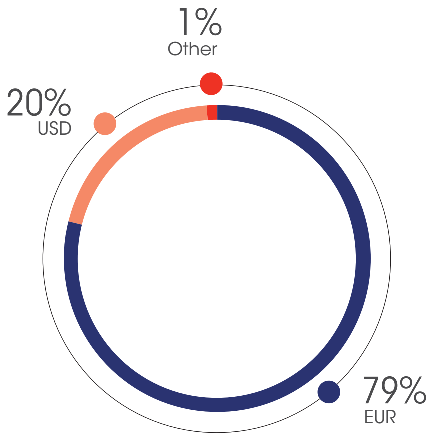
AFD has also undertaken:

- four tap issues for a total of €918M (three of these on the Euro market):
  - €250M for 7.2 years (maturity April 2024),
  - €350M for 14.8 years (maturity July 2032),
  - €150M for 14.8 years (maturity July 2032),
  - $200M for 1.8 years in floating rate note form (equivalent to €168M; maturity September 2019);
- six private placements on the euro, US dollar and Australian dollar markets for a total of €1,023M:
  - $300M for 2 years (equivalent to €264M; maturity July 2019),
  - AUD50M for 10 years (equivalent to €33M; maturity July 2027),
  - $500M for 2 years in floating rate note form (equivalent to €421M; maturity September 2019),
  - €205M for 20 years (maturity October 2037),
  - €100M for 13.5 years (maturity June 2031).

Based on the 2017 issues, the nominal burden of AFD debt was €29.56bn as of 31 December 2017. The breakdown by maturity date is as follows:

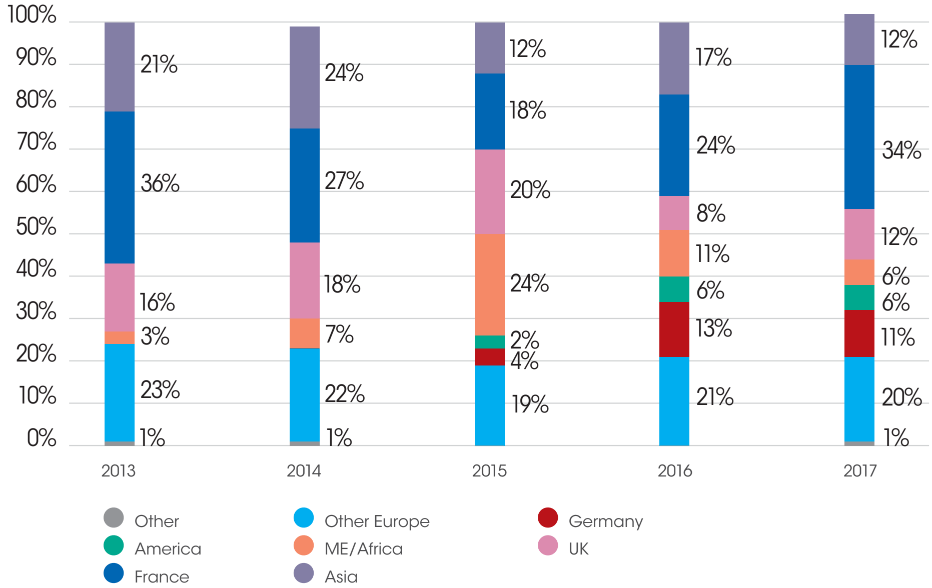


The outstanding debt burden as of 31.12.2017 is mainly denominated in Euros:

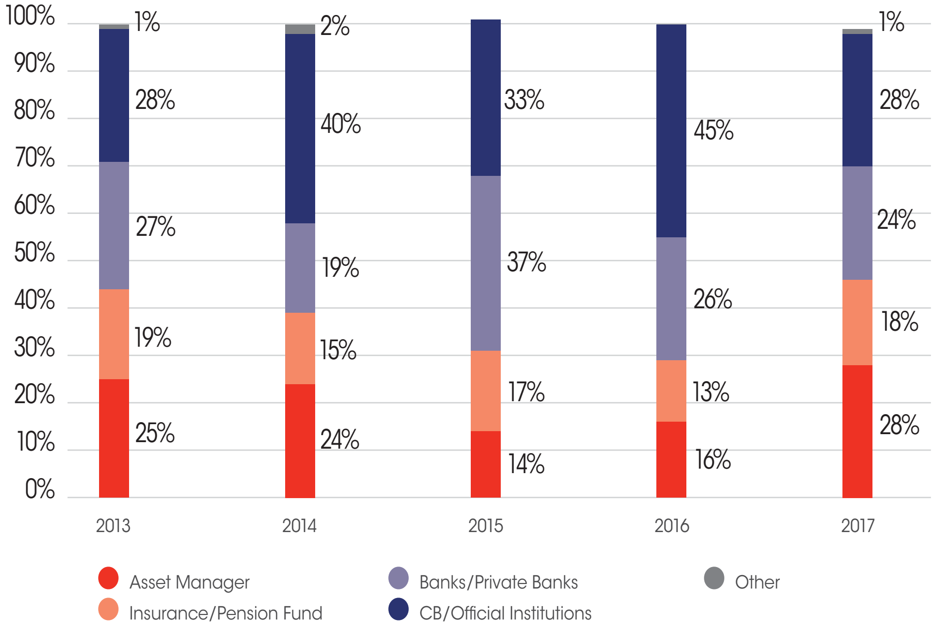


To meet its growing financing requirements, AFD takes care to constantly maintain and expand its investor base which guarantees it secure access to cash resources and competitive prices. The investor base by geographic area and type of "public[(1)]" operations breaks down as follows:

Geographical area



Type of operation:



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

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

1.4 AFD GROUP

1.4.1 Consolidation scope

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

AFD GROUP – CONSOLIDATION SCOPE AT 31 DECEMBER 2017

	Countries	Method(1)	Percentage of ownership 31/12/2017	Percentage of ownership 31/12/2016	Percentage of control 31/12/2017	Percentage of control 31/12/2016
France						
Mainland France						
Proparco	France	FC	64.95	64.95	64.95	64.95
Sogefom	France	FC	60.00	60.00	58.69	58.69
Fisea	France	FC	100.00	100.00	100.00	100.00
French Overseas Departments and Collectivities						
Soderag	France – Guadeloupe	FC	100.00	100.00	100.00	100.00
SIC	France – New Caledonia	EQ	50.00	50.00	50.00	50.00
Simar	France – Martinique	EQ		22.27		22.27
Socredo	France – Polynesia	EQ	35.00	35.00	35.00	35.00
Asia						
Propasia	Hong Kong	FC	64.95	64.95	100.00	100.00

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

The consolidation scope is presented in greater detail in Note 6.2.3.1 to the consolidated financial statements.

1.4.2 Information about subsidiaries

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

Proparco (Société de promotion et de participation pour la coopération économique)

Purpose: To promote development projects, acquire equity stakes and grant loans in the regions in which AFD is mandated to operate

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

Head office: 151 rue Saint-Honoré, 75001 Paris

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

AFD's stake: 64.95%

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

Balance sheet total: €5,174.6M

Total net equity: €922.3M

Equity stakes: €768M

Loan portfolio: €3,957.8M

Net banking income: €126.3M

Sogefom (Société de gestion des fonds de garantie Outre-mer)

Purpose: To provide a partial guarantee for financing operations undertaken by credit institutions with operations in the French Overseas Departments and Collectivities that have subscribed to a portion of its capital or have been approved by its Board

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

Head office: 5 rue Roland-Barthes, 75012 Paris

Equity: €1,102,208

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

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

Balance sheet total: €44M

Total net equity: €13.9M (excluding FRBG)

Loan portfolio: €27.3M

Net banking income: €1.9M

Soderag (Société de Développement Régional Antilles-Guyane)

Purpose: To grant loans and acquire equity stakes in order to promote development in the Antilles – French Guiana region

Legal form: Public limited company in liquidation (*société anonyme en liquidation*) (SDR)

Head office: Pointe-à-Pitre (Guadeloupe)

Equity: €5,576,859

AFD's stake: 100.00%

Other shareholders: none

Balance sheet total: €5.3M

Total net equity: -€116.1M (excluding FRBG)

Loan portfolio: NS

Net banking income: -€0.00M

Fisea (Fonds d'Investissement et de Soutien aux Entreprises en Afrique)

Purpose: To promote the growth of African SMEs

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

Head office: 5 rue Roland-Barthes, 75012 Paris

Equity: €190,000,000

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

Other shareholders: Proparco holds one share in Fisea

Balance sheet total: €102.8M

Total net equity: €121.6M

Loan portfolio NS

Equity stakes: €101.0M (amount net of impairments)

Net income: -€11.0M

TR Propasia (Partenariat Stratégique pour une Plateforme d'Investissement Asiatique)

Purpose: To create a regional investment platform

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

Head office: Hong Kong

Equity: €7,000,000

AFD's stake: 64.95%

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

Balance sheet total: €8.4M

Total net equity: €8.4M

Loan portfolio: NS

Equity stakes: €4.2M

Net income: €0.1M

1.4.3 Presentation of subsidiaries

1.4.3.1 Proparco

Proparco was created in 1977 as a venture capital firm with AFD as its sole shareholder. It was transformed into a financial company in 1990. Today, Proparco is a financial institution specialised in development, with share capital totalling €693M. AFD holds a 65% stake, while the remaining 35% is held by private shareholders, including 22% by French financial organisations, 11% by international financial organisations, 2% by investors and 1% by funds and ethical foundations.

Proparco's purpose is to work with the private sector in order to promote inclusive sustainable development models with a low carbon footprint in developing and emerging countries. Proparco plays a role in achieving sustainable development objectives (SDOs). Its sector-focused strategy, adapted to match each country's level of development, is focused on business, industry and trade, banking intermediation and financial systems, infrastructure, energy, health, education and private equity. Since 2009, Proparco's operating scope has extended to all developing countries as defined by the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) and covers a geographic area extending from the major emerging countries to the poorest countries, especially in Africa, and must meet high corporate social responsibility (CSR) requirements, and impacts. Proparco offers a complete range of financial instruments to meet the specific needs of private investors in developing countries: loans, quasi-equity, equity and guarantees.

1.4.3.2 Activities of TR Propasia, a Proparco subsidiary

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

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

1.4.3.3 Fisea

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

In 2017, Fisea's net approvals amounted to €9M (excluding TA). They include two investments in funds. Numerous sectors are targeted.

Total approvals (excluding TA) since the company was established amount to €116M. Investment funds represent 85% of assets and direct investment represents 15%.

1.4.3.4 Banque Socredo

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

For many years, Banque Socredo has been the top banking institution in Papeete, ahead of Banque de Polynésie (Société Générale Group) and Banque de Tahiti (Groupe BPCE), with 46% of the lending market and nearly 40.3% of the deposit market at end-December 2017.

In addition to its banking activities, Banque Socredo has five main subsidiaries through which it extends its operating activities: OSB (Océanienne de services bancaires, specialised in e-banking), ODI (Océanienne d'industrie, specialised in cheque processing and electronic publishing), Ofina (Océanienne de financement, which sends and receives cash for American Express cardholders in the French Pacific), OCSD (Océanienne de conservation sécurisée de données, a secure data storage centre) and finally OCA (Océanienne de centre d'appel, a call centre). The Bank also wholly owns OCI (Océanienne de Capital Investissement) which manages the equity stakes and development interests of the "venture capital" activity. In 2016, it created OFIMMO (Océanienne de financement Immobilière), a company which is wholly-owned by OCI, with a view to preparing projects as part of the OLS-P (Social-private housing body) initiative.

At 31 December 2017[(1)], Banque Socredo employed a workforce of 466 people. Its balance sheet total amounted to €2.23bn, mainly comprising customer receivables (€1.68bn). The bank generated net banking income (NBI) of €72.9M and net income of €13.5M, compared with €77.9M and €13.7M respectively in 2016.

In 2017, AFD received dividends of €1.6M for the 2016 financial year.

1.4.3.5 Soderag

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

1.4.3.6. Sogefom

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

After experiencing a sharp increase in 2015 (up 61.8%), followed by a 10.3% fall in 2016, new production recorded a slight increase of 2.1% in value in 2017, which is distributed disparately between the offices:

- in New Caledonia, guarantees granted in 2017 by Sogefom continued to fall, following the pattern of the 17.3% drop recorded in 2016. Compared to 2016, new production therefore fell by 28.5% in value and 21.4% in number of approvals. The slowdown in production was recorded over all guaranteed products. Note that in 2017, five guarantees were granted in relation to the Bpifrance development product financing put in place at the end of 2016 with a total amount approved of €78K;
- in French Polynesia, over the same period, approvals grew in value by 16.6% with the number of applications remaining unchanged compared to 2016. As a result of this increase, global Sogefom production was maintained at the same level as 2016. The average amount approved for the standard activity grew from €48K in 2016 to €57K in 2017. However, over the same period, the average amount guaranteed for the short-term activity fell to €23K from €26K in 2016;
- in Wallis and Futuna, production remained low with only one application approved in 2017 for a value of €48K (three in 2016 for €75K).

The gross outstanding guarantees at 31 December 2017 (€74.9M) increased by 7.1% in comparison with 31 December 2016 (€69.9M).

1.4.3.7 Property companies

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

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

Following negotiations between the State and the SNI, an agreement was reached for a sale in two stages: first the purchase by SNI of 34% of the companies' capital, including all AFD's shares in 2017, then an option to purchase the balance of the Government's shares over a five year period. The sale took place on 19 December 2017. AFD no longer holds any equity stakes in its own name in the SIDOMs. The shares recorded in its balance sheet are held on behalf of the Government and will be sold within the next five years.

Thus, as of the end of 2017, AFD's equity stake in its own name in the capital of Société Immobilière de Nouvelle-Calédonie (SIC) was reduced to 50%. This company was not included in the transaction as the Government did not have any equity interest in this property company.

(1) The figures at 31 December 2017 are provisional (they have not been reviewed by the statutory auditors and the accounts have not been approved).

1.5 ACTIVITIES OF AGENCE FRANÇAISE DE DEVELOPPEMENT GROUP IN 2017

1.5.1 Global economy

The global economic recovery, which had begun in the second half of 2016, gained momentum in 2017, driven by a revival of investment, industrial production and world trade. According to the IMF, 2017 worldwide growth was 3.7%.

In America, economic growth reached 2.3% while the unemployment rate reached 4.1%, its lowest level since 2001. However, wages showed no signs of acceleration, hindering the recovery of inflation, which remained below the targeted 2% of the American Federal Reserve. The country's potential medium-term growth is estimated at 1.8% taking into account an ageing population and anticipated low productivity gains.

Having ended its large-scale asset purchases in October 2014 and, in December 2015, increased its key lending rates, the US Federal Reserve continued to tighten its monetary policy in 2017 with three further increases of its key lending rates in March, June and December, of between 1.25 and 1.5%. In addition, in October 2017 the Federal Reserve began to shrink its balance sheet by only reinvesting some of its shares which had reached maturity.

In 2017, economic activity in the Euro zone grew by around 2.4%, its highest rate for a decade according to European Commission estimates. The recovery was enjoyed by all Euro zone countries and was driven by resilient private consumption, improved global growth and the fall in unemployment. Investment also recovered, thanks to favourable financing conditions and a calmer economic climate once political uncertainties had vanished. Unemployment was an average of 8.7%, its lowest level since 2009. Despite healthy growth and the improved employment market, underlying inflation, which excludes the price of energy and unprocessed food, remained at a moderate 1.4%. Public debt was 88.1% of the Euro zone's GDP as at the end of September 2017.

In the UK, activity growth slowed to 1.7% in 2017 due to a slowdown in household consumption, which was hit badly by the depreciation of the Pound Sterling and inflation in excess of the increase in nominal wages.

In Japan, growth accelerated to 1.8% in 2017, sustained by stronger worldwide demand and a generous budget policy. In the medium term, because of the fall in the working population, the country's growth potential should be very low.

Emerging and developing countries represent 58% of global GDP[(1)]. China's weight in the emerging world is becoming increasingly significant, accounting for 30.5% of the GDP of the emerging and developing countries (compared to 12.4% for India, the second most important country). In addition, economic developments in China increasingly influence other emerging economies through a real mechanism of financial contagion (China has become the leading trading partner of many developing countries).

In 2017, emerging and developing Asia remained the region in the world with the strongest economic growth at 6.5%. Chinese growth accelerated to 6.8%, influenced by the recovery of global trade, government support policies, notably with continued investment expenditure, and a healthy property sector. Many countries in the region benefited from China's dynamic growth and the recovery in Europe. India, on the other hand, saw its growth slow to 6.7%.

Latin America was back on the road to growth in 2017 (1.3%), driven primarily by the gradual recovery of Brazil, which accounts for more than a third of the region's GDP. The terms of trade shock continued to have a negative impact on net exporters of raw materials in the region. In the medium term, growth in per-capita GDP remained low at 1.7%, well below the 3.25% recorded for the other emerging and developing countries. After two years of recession, Brazil recorded growth of 1.1% in 2017, thanks to a good harvest and a recovery of household consumption. Argentina also came out of recession in 2017 to record growth of 2.8%, sustained by public investment and household consumption, the Macri government having launched an ambitious programme of reforms to restore the country's macroeconomic equilibrium. Despite the uncertainty surrounding the possible renegotiation of the ALENA and the tightening of its monetary policy, economic activity in Mexico remained buoyant in 2017 with 2% growth.

Trends in the economic environment in the countries in which AFD operates in the south and east of the Mediterranean were still mixed in 2017. In Turkey, growth accelerated to 6.7% thanks to an expansionist budget policy. In Tunisia, the relatively calm security situation and a lessening of the social tensions in the mining industry saw the country return to growth in 2017 (2%), bolstered by phosphates, tourism and the off-shore sector. However, the ambitious structural reform and budget adjustment programme, agreed with the IMF in May 2016, continued to hit obstacles to its implementation and the net reserves of the Tunisian central bank recently fell below 90 days. Egypt, on the other hand, began to benefit from the reforms introduced as part of its IMF programme and its growth accelerated to 4.4% (2018 budget year). The depreciation of the Egyptian Pound impacted positively on exports and the country saw an improvement in its foreign currency liquidity with the adoption of a floating exchange rate policy. Morocco and Jordan continued to benefit from a positive terms of trade shock and from reforms adopted in their energy sector.

The economic situation in Sub-Saharan Africa remained difficult despite a slight improvement in the region's growth in 2017 (2.7%) compared to 2016 (1.4%). The factors behind this were essentially idiosyncratic (increased oil production in Nigeria and mitigation of the drought in east and southern Africa). This improvement nudged per-capita GDP into positive figures. Even in the countries where growth remained high, it was still greatly dependent on public investment, often at the expense of increasing debt and private sector eviction. In almost half of the countries in the region, the public debt to GDP ratio was over 50%. According to the IMF, Nigeria came out of recession in 2017 with 0.8% growth, thanks to a recovery of its oil production and a healthy agricultural industry. South Africa still faced a difficult economic situation in 2017, with growth of 0.9%. With

(1) Calculation of the respective shares of the aggregate GDP is based on GDP at purchasing power parity, according to the method selected by the IMF in its World Economic Outlook.

revenue falling, the country's budgetary margins for manoeuvre were limited and the political uncertainty with the approach of the ANC's congress elections at the end of the year was yet another reason for investors to hold off. The economic situation continued to deteriorate in the CEMAC countries in 2017. All of the region's countries, except the CAR, were affected – to differing degrees – by the terms of trade shock from the fall in the oil price. In June 2017, Gabon, Cameroon and Chad entered into an agreement with the IMF. In early November 2017, the first IMF reviews in Gabon and Cameroon were the subject of an agreement between the Fund teams and the authorities on performance of the programmes. Growth in the WAEMU zone remained a healthy 6.6% in 2017, driven primarily by Côte d'Ivoire and Senegal.

1.5.2 Information about offices and activities at 31 December 2017

Net banking income, revenue and employees by country for subsidiaries that are fully consolidated and equity-accounted in AFD's financial statements

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

	2017							At 31/12/2017
				Corporation tax amount(2)				
	Net banking income In millions of euros(1)	Revenue In millions of euros(1)	Net income or loss before taxes(1)	Total	Of which current	Of which deferred	Public subsidies received	FTE headcount
European Union member states:								
France	765	66	284	14	15	0	383	2,627
Asia:								
Hong Kong		0	0					12
TOTAL	**765**	**66**	**285**	**14**	**15**	**0**	**383**	**2,639**

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

1.5.2.1 Entities' offices by country

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

Offices by country	Activities
France	
AFD – Agence Française de Développement	Financial institution
Fisea (Investment and Support Fund for Businesses in Africa)	Investment fund
Proparco – Société de Promotion et de Participation pour la Coopération Économique	Financial institution
Soderag – Société de Développement Régional Antilles-Guyane	Guarantee fund
Sogefom – Société de Gestion des Fonds de Garantie d'Outre-mer	Guarantee fund
Hong Kong	
TR Propasia Ltd	Investment fund
New Caledonia	
SIC NC – Société Immobilière de Nouvelle-Calédonie	Real estate company
French Polynesia	
Banque Socredo	Bank

1.5.3 AFD Group activities

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

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

AFD GROUP 2017-2016 APPROVALS (M€)

In millions of euros	Total approved in 2017	Total approved in 2016
AFD Foreign countries		
Ongoing operations	6,576	5,859
Subsidies	320	213
Sovereign concessional loans	3,997	3,847
Non-sovereign concessional loans	652	457
Non-sovereign non-concessional loans	1,268	1,132
of which AFD sub-participations granted to Proparco	231	220
FEXTE	15	6
Funding for NGOs	72	72
Equity stakes	100	0
Guarantees	153	132
Mandate-specific operations	518	374
GBS	63	33
Inclusive development operations	2	0
C2D	440	315
Assigned funds delegated by MAE		3
Assigned funds delegated by MAE (Pacific Fund and others)	0.1	0.3
Mesofinance		1
French GEF or FGEF (French Global Environment Facility)	12	24
Specific activities using resources from other backers	573	466
TOTAL AFD FOREIGN COUNTRIES	7,667	6,699
AFD French Overseas Departments and Collectivities		
Ongoing operations	1,009	1,076
Loans	981	1,053
Guarantees granted to the private sector	25	23
Subsidies	2.5	
Mandate-specific operations and representation	537	518
Assigned funds delegated by MAE (Pacific Fund)		0.4
OSEO/BPI funding	510	488
Managed funds	27	30
TOTAL AFD FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES	1,545	1,594
Proparco Foreign countries		
Loans	1,031	968
of which AFD sub-participation loans to Proparco	231	220
Equity stakes	245	195
Fisea	10	51
Other investments	19	71
Guarantees	73	45
of which AFD sub-participations granted to Proparco	19	0
TOTAL PROPARCO FOREIGN COUNTRIES	1,377	1,330
of which AFD sub-participations granted to Proparco	-250	-220
TOTAL GROUP APPROVALS	**10,340**	**9,403**

AFD Group's overall activity stood at more than €10.3bn in commitment approvals in 2017, representing an increase of around 10% compared with that achieved in 2016, confirming the continuation of the growth in activities embarked upon during the last two years, in line with the target set by the French President of reaching €12.7bn in 2020.

The Group's activity was mainly driven by the growth of AFD approvals in foreign countries, which was up 14% at €7.4bn, excluding AFD's equity stakes in Proparco, while AFD approvals in French Overseas Departments and Collectivities decreased slightly (-3% to €1.5bn). Proparco's activity also grew 4% to €1.4bn.

1.5.3.1 AFD, foreign countries

Lending and guarantee activities were €6.1bn, up €0.5bn on 2016. There were two main factors behind this increase: the increase in approvals in the Sub-Saharan, Mediterranean and Middle Eastern regions, and a higher number of non-sovereign loans. The number of loans thus exceeded the business plan targets, particularly in Sub-Saharan Africa. Non-sovereign loads stood at €1.92bn, with a business plan target of €1.73bn, which is a significant increase on previous years, thanks to the identification and appraisal work which commenced in 2015 and continued in 2016 (+28% in 2017 compared to completions in 2016).

For the other activities, 2017 highlights included:

- a €107M increase in donations granted, or 51% more project subsidies than in 2016 and €30M more GBS, due to AFD being allocated a portion of the Financial Transaction Tax (€245M, excluding AFD's remuneration estimated at €18M and IMF subsidies paid on this resource totalling €7M);
- a significant increase in the volume of subsidies allocated, particularly by the European Union, which reached a total of €573M, up 23% on the 2016 figure of €466M;
- a number of C2D approvals lower than anticipated in the initial business plan (€440M approved against an initial forecast of €520M);
- the sum of €100M contributed to the AFD/CDC basket fund to finance infrastructure projects.

1.5.3.2 AFD French Overseas Departments and Collectivities

AFD Group's commitment authorisations in French Overseas Departments and Collectivities in 2017 stood at €1.54bn, slightly lower than the target of €1.65bn set at the start of the year and the 2016 approval rate of €1.59bn (-3% in total, -6% in terms of ongoing operations). This fall was primarily due to a decrease in public sector activity: many projects related to waste and community care and the investments approved for the progress contracts of the French Overseas Departments' water plan[1] were put back to 2018. Subsidised loans amounted to €229M, of which €48M was granted to the equivalent Pacific Green Fund (PSP Vert) compared to the €390M initially forecast.

1.5.3.3 Proparco, foreign countries

Proparco's 2017 approvals stood at €1.38bn, up 4% on 2016 and in line with the 2017 business plan objectives. It recorded loan commitments of €1bn, an increase of €63M or 7%: the increase reflects the €135M increase in local currency financing (affecting 9 projects) plus a direct investment project. Equity investments increased accordingly by €50M, or 26%.

(1) Put in place by the Ministries for the Environment and the French Overseas Departments and Collectivities, the "French Overseas Department water plan" provides a response to the problems encountered in the water sector in Guadeloupe, Guyana, Martinique, Réunion, Mayotte and Saint-Martin. It aims to improve the drinking water supply and wastewater drainage infrastructures by recommending the drafting of a multi-year plan to first fine-tune water governance, then improve engineering and finally consolidate the financing of key projects.

1.5.4 AFD's activities in foreign countries

Total volume of approvals, disbursements, volumes to be dispersed and outstandings

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

FOREIGN COUNTRIES EXCLUDING LOANS TO PROPARCO (3,432), BUT INCLUDING SUB-PARTICIPATIONS

In millions of euros	2017	2016	Variance 2017/2016 M€	Variance 2017/2016 %
LOANS[1]				
Approvals	5,916	5,436	480	8.8%
Disbursements	3,404	3,140	264	8.4%
Undisbursed balance at 31 December	17,531	15,090	2,441	16%
Outstandings at 31 December	23,912	21,865	2,047	9%
SUBVENTIONS				
Approvals	470	323	147	45%
Disbursements	334	302	31	10%
Undisbursed balance at 31 December	1,118	1,035	83	8%
Outstandings at 31 December	20	18	2	12%
GUARANTEES				
Approvals	153	132	20	15%
Outstandings	172	184	-12	-7%
EQUITY STAKES				
Approvals	100	0	100	0%
Disbursements	10	3	7	200%
TOTALS				
Approvals	6,639	5,892	747	13%
Disbursements	3,748	3,446	302	9%
Undisbursed balance at 31 December	18,649	16,125	2,524	16%
Outstandings at 31 December	24,104	21,883	2,222	10%

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

Total approvals in foreign countries reached €6,639M in 2017, compared with €5,892M in 2016, which is an impressive 12% increase. This increase is explained by increased activity for all financial instruments; growth which, once again, is consistent with the overall objective set by the French President of taking the Group's activity to €12.7bn in 2020.

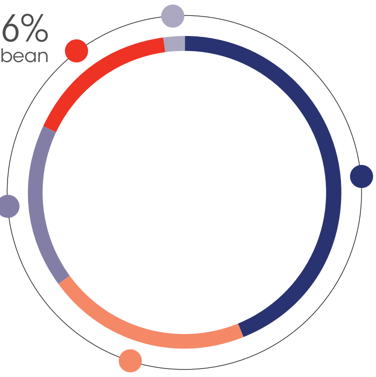
Following the increase in approvals, disbursements, volumes to be disbursed and outstandings also grew by 9%, 16% and 10% respectively.

For a breakdown of approvals and disbursements by type of financial assistance, see appendix 6.

Geographic breakdown of AFD approvals

2016 and 2017 approvals, presented by beneficiary country, break down as follows:

	Loans		GBS, subsidies and equity stakes – ongoing operations		Guarantees granted		General	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016
Sub-Saharan Africa	2,376	1,820	410	227	131	114	2,917	2,162
Mediterranean, Middle East	1,340	1,084	82	36	10	10	1,432	1,130
Asia and Pacific	1,121	1,151	19	20	3	6	1,143	1,178
Latin America and Caribbean	1,001	1,081	34	19		2	1,035	1,101
Not geographically assignable	*78*	*300*	*25*	*22*	*8*	*0*	*112*	*322*
GRAND TOTAL	**5,916**	**5,436**	**570**	**323**	**153**	**132**	**6,639**	**5,892**



Agence Française de Développement's commitment approvals in **Sub-Saharan Africa** reached €2.9bn in 2017, an increase of almost 35% on 2016. This amount exceeds the 2017 multi-year objective, primarily due to the budget support loans granted to some CEMAC countries (€215M) and the €100M contribution to the CDC/AFD infrastructure fund. As a result, in 2017 Sub-Saharan Africa remained the priority zone for AFD intervention, accounting for 44% of the volumes approved in Foreign Countries.

While continuing to focus on its key priorities which are energy and transport infrastructures, access to water and drainage, investment in training young people and developing rural areas, AFD pursued its crisis and vulnerability response, notably in Sahel, by mobilising funds from the Peace and Resilience Facility and increasingly looking to players on the ground, principally from civil society, for support.

AFD's activity in the **Mediterranean and Middle East** region grew significantly in 2017 with financing of €1.4bn, up 27% on 2016, and a one-off budget subsidy of €430M for Iraq.

This was primarily the result of AFD finding itself once again able to take action in Morocco (+58%) and Tunisia (+138%) thanks to the increase in its equity at the end of 2016. Activation of France's commitment to support the macroeconomic stabilisation in Egypt and Iraq, as part of IMF programmes, also played a part. Finally, the institutional dynamic in Lebanon, leading to renewed sovereign loan activity and the launch of the SAWA initiative, translated into high activity levels in the Middle East.

Action to combat climate change is still a priority, be it mitigation (primarily in Morocco and Egypt through financing of the energy transition and public transport development) or adaptation in the water, waste and agriculture sectors (Jordan, Palestine, Lebanon, Morocco).

In 2017, there was a focus on local development and territorial cohesion, a component of one third of the projects, through modernisation of farms in Tunisia, financing local authorities in Morocco or financing of reforestation and extremely labour-dependent small rural infrastructures in the regions of Lebanon most affected by the refugee crisis. The rationale behind this was to combat the feeling of downgrading in landlocked regions, both urban and rural, and encourage the creation of economic activity and employment.

In terms of the financial tools mobilised, non-sovereign loans increased by 25% to €440M. The activity was rolled out in Morocco, Tunisia, Egypt, Turkey and Palestine, for private and public banks, to encourage them to direct their financing towards microfinance, the environment and renewable energies/energy efficiency as part of the SUNREF programme. 2017 also broke a new record of €188M in third party subsidies mobilised for the region, most of which came from the European Union. This mobilisation effort and the creation of the MINKA fund enabled AFD to raise a grand total of €250M in donations in 2017.

AFD's commitment approvals in **Asia** remained stable at €1.1bn in 2017. Most of AFD's Asian operations were in the ASEAN countries, followed by South Asia. The activity in both these regions was driven by financing granted in Indonesia and Pakistan. 2017 saw the first sovereign loan granted in Georgia, in the form of a public policy loan to support the competitiveness of the private sector.

As in previous years, sovereign activity ranked number one in AFD's commitments in the region (83%). A single non-sovereign loan was granted, in Vietnam, accounting for 8% of total financing. An increasing number of European resources were mobilised in 2017: AFD received €64.9M in subsidies to support its operations, primarily via combined facilities (Asian Investment Facility and the Neighbourhood Investment Facility), but also an assignment of funds from the national programme (in Laos).

In 2017, political loans accounted for 21% of AFD's commitments in the region. High-level dialogue was engaged in the Philippines, to support the local authority financing reform, in Georgia to support the retirement reform (supporting private sector competitiveness) and in Indonesia to support the energy transition. Moreover, the strategic partnership with the Asian Development Bank was strengthened with a faster increase in cofinancing projects: they accounted for 37% of AFD's commitments in Asia in 2017, compared to an average of 29% over the period 2013-2016.

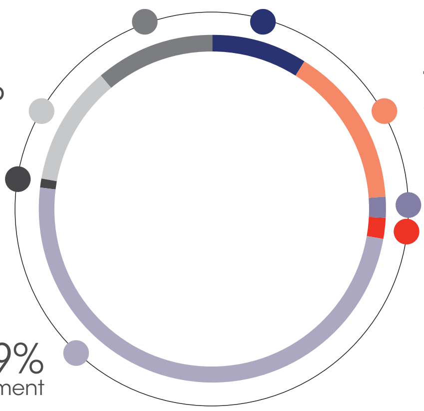
AFD's commitments in **Latin America and the Caribbean** reached €1bn in 2017, slightly below the objectives set at the beginning of the year. Approvals were driven by significant support for the peace process in Colombia, which AFD provided on three levels for a total of almost €350M. These were its contribution to the European Trust Fund for peace (subsidy of €3M), a rural – post conflict public policy loan of €200M and financing of €150M to the development bank Findeter for the financing of local communities. In Brazil, after feeling the effects of the crisis in 2015 and 2016, AFD once again stepped up its activity. 2017 also saw the first operations in Argentina with two water and drainage projects granted for a total of €100M, co-financed by the IDB and CAF. In the Caribbean, AFD began operations in Cuba, where it is still the only OECD donor present. Three public policy loans (Bolivia, Colombia and Mexico) granted for €400M saw sovereign activity continue its upward trend (65% of the annual commitment volume, 60% via this type of loan).

Breakdown of AFD's approvals by sector of activity:

The 2016 and 2017 approvals including budgetary aid, guarantees given, loans, subsidies and investments in ongoing operations are shown as follows, by branch of activity:

In millions of euros	2017	2016	% of the 2017 total	% of the 2016 total
Agriculture and food safety	633	560	10%	10%
Water and drainage	987	1,126	15%	19%
Education and vocational training	123	336	2%	6%
Environment and natural resources	148	500	2%	8%
Infrastructure and urban development	3,230	2,483	49%	42%
of which transport	*854*	*1,058*	*13%*	*18%*
of which energy	*1,513*	*682*	*23%*	*12%*
of which development and urban management	*590*	*206*	*9%*	*3%*
of which infrastructure and miscellaneous social services	*162*	*408*	*2%*	*7%*
of which other	*111*	*129*	*2%*	*2%*
Healthcare and AIDS prevention	74	111	1%	2%
Business, Industry and Trade	738	451	11%	8%
Other and multiple sectors	704	324	11%	6%
TOTAL	**6,639**	**5,892**	**100%**	**100%**

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



The breakdown of the approval volume by sector of activity changed significantly in 2017.

2017 saw a marked increase in approvals in the energy sector (+€831M), which accounted for 23% of total engagements (12% in 2016). Having fallen to 42% in 2016, this increase took the share of the Infrastructure and Urban Development sector to 49% in 2017. Thus, energy became the AFD Group's main area of operation in 2107, with €1,513M committed compared to €682M in 2016. AFD's commitment to the energy transition, in line with the Climate commitments, was confirmed in 2017 with a significant increase in approvals for renewable energy and energy efficiency projects, and energy/climate budget support.

The water and drainage sector accounted for 15% of total commitments in 2017, with authorisation to the value of €987M exceeding the targets of the water and drainage Sectoral Intervention Framework for the period 2014-2018, despite a €139M fall in volume. Commitments in Latin America increased significantly to €315M, mainly in Argentina and Bolivia. A vast drainage programme in seven municipalities in the agglomeration of Cochabamba was financed to the tune of €42M.

Transport's contribution to total commitments fell by 5% but remains significant with €854M committed in 2017. The profile of projects financed was very different. In 2017 there were significant commitments on the African continent, with a marked focus on "integration into international trade" which covers investments in ports, logistics and airports and accounted for a third of 2017 commitments. After urban mobility and the other countries being priority areas in 2016, the focus was on adjustment and rebalancing.

The "development and urban management" sector also experienced a hike from €206M to €590M, as part of the "Sustainable Cities" 2014-2017 strategy. Several flagship projects were launched in 2017: in Benin, the financing of a City Climate Change Adaptation Programme (sovereign loan of €50M and subsidy of €8M), subsidised housing initiatives in South Africa (non-sovereign loan of €30M), phase 3 of the Project to Improve Access and Sanitation in Priority Quarters in the Agglomeration of Antananarivo in Madagascar (sovereign loan of

€19M and EU subsidy of €3M), a loan to the Indian government to support implementation of the national Smart Cities programme (sovereign loan of €100M and EU subsidy of €6M), a loan in China to finance heritage protection and urban renewal in the ancient city of Qixian (sovereign loan of €70M).

The agriculture and food safety sector remained at a constant 10% with an increase in volume of €73M. Of note is the fact that the €400M commitment target of the "Food Safety in Sub-Saharan Africa" strategy was partially met in 2017 with €380M approved, over 40% of which for Sahel.

The environment and natural resources sector was down significantly, with its share in total activity falling from 8% in 2016 to 2% in 2017, following an initial 6% drop between 2015 and 2016. The reason for this was that, unlike in previous years, no budget support or projects for this sector were approved in the emerging countries (China, Mexico, Turkey). We should however point out that AFD mobilised financing allocated from the multi-backer Central Africa Forest Initiative (CAFI) fund is not included in this scope.

Finally, the education and vocational training sector fell significantly by 4% from 6% to 2%. This can be explained by the fact that operations initially planned for 2017 were postponed to 2018. 2017 was a transition year which saw the adoption of a new Education-Training-Employment 2017-2020 strategy, which culminated in the creation of "Higher Education", "Employment" and "Agricultural and Rural Training" roadmaps. It is anticipated that operations in the education sector, particularly in Sub-Saharan Africa, will pick up again in financial year 2018.

1.5.5 AFD activities in French Overseas Departments and Collectivities

TOTAL VOLUME OF APPROVALS, DISBURSEMENTS AND OUTSTANDINGS (LOANS ON AFD'S OWN BEHALF)

			Variance 2017/2016	
In millions of euros	2017	2016	M€	%
APPROVALS	**981**	**1,053**	**-72**	**-7%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	713	697	17	2%
• French Pacific Collectivities	268	356	-89	-25%
DISBURSEMENTS	**700**	**929**	**-229**	**-25%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	395	685	-290	-42%
• French Pacific Collectivities	305	244	61	25%
Undisbursed balance at 31 December	**962**	**879**	**83**	**9%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	739	566	172	30%
• French Pacific Collectivities	223	313	-90	-29%
Outstandings at 31 December	**5,181**	**4,893**	**288**	**6%**
• French Overseas Depts and Collectivity of St Pierre and Miquelon	3,329	3,197	132	4%
• French Pacific Collectivities	1,852	1,696	156	9%

BREAKDOWN BY REGION

In millions of euros	2017	2016	M€	%
French Overseas Depts and Collectivity of St Pierre and Miquelon	**713**	**697**	**17**	**2%**
Guadeloupe	200	57	144	254%
French Guiana	53	68	-15	-22%
Martinique	205	268	-63	-24%
Réunion	215	244	-28	-12%
Mayotte	37	33	5	14%
St Pierre and Miquelon	2	0	2	
Multiple countries French Overseas Departments	0	27	-27	-100%
French Pacific Collectivities	**268**	**356**	**-89**	**-25%**
New Caledonia	225	279	-54	-19%
French Polynesia	43	64	-22	-33%
French southern and Antarctic territories	0	0	0	
Wallis & Futuna	0	13	-13	-100%
TOTAL	**981**	**1,053**	**-72**	**-7%**

Lending activity in the French Overseas Departments and Collectivities amounted to €981M in 2017, a slight 7% drop overall on the 2016 figure. This decline was observed in all geographic regions, except Mayotte and Guadeloupe, with activity in the latter being extremely buoyant in 2017. Disbursements in 2017 were down on the trend of previous years due to (i) the cancellation of some major approvals (an €80M waste management project and €50M for a financing project for a large municipality) and forecast commitments which did not materialise (€50M for a project for a real estate company), and (ii) a programme of activities which was postponed until later in the year (76% of the approvals were completed in the second half of the year, the majority of these in the last two months of 2017).

Automatically, the undisbursed balance increased by 9% (€82M) to €960M while outstandings were up €288M, or 6%.

LOANS, PROVISIONS AND GUARANTEES GIVEN ON ITS OWN BEHALF, BY PRODUCT

	APPROVALS		Variance 2017/2016	
In millions of euros	2017	2016	M€	%
Ongoing operations	**985**	**1,053**	**-68**	**-6%**
Loans	**981**	**1,053**	**-72**	**-7%**
Public sector	842	939	-97	-10%
Subsidised loans to local authorities	*229*	*338*	*-109*	*-32%*
Other loans – public sector	*613*	*601*	*12*	*2%*
Private sector	139	114	25	22%
Direct financing	*139*	*109*	*30*	*27%*
Banks	*0*	*5*	*-5*	*-100%*
Mayotte subsidy	**2**	**0**	**2**	
Guarantees[(1)]	**2**	**0**	**2**	
Guarantees granted to the public sector		0	0	
Guarantees granted to the banking sector		0	0	
French Overseas Department Fund		0	0	
SPM and Mayotte guarantee funds	2	0	2	
Equity stakes	**0**	**0**	**0**	

(1) The guarantees presented above do not include Sogefom approvals (€22.4M in 2017) and FOGAP approvals (€1.1M in 2017).

Public sector financing was €842M, down 10% on 2016, with a number of projects initially planned for 2017 being postponed until 2018 (in the medico-social and water sectors). In the public sector, 27% of the lending activity was subsidised loans and 73% non-subsidised loans. Note that in 2017 a subsidy of €2.3M was approved from the funds allocated by the Ministry of the French Overseas Departments and Collectivities for the water and drainage sector in Mayotte. Despite the slowdown of its public sector activity in 2017, AFD remains a leading player in the overseas public sector project financing activity.

Loans to companies increased by 22%, continuing the 2016 upward trend. A total of €139M was allocated to companies in sectors such as renewable energies, medico-social and intermediary property. No bank funding was recorded in 2017.

1.5.6 Intellectual output

1.5.6.1 Research, training and publication activities

The research work led by the Innovations, Research and Knowledge Division can be split into three key areas:

Solidarity and inequality

This work focuses on Africa, gender and social ties. AFD received a first assignment of European Union funds of €4M for research into equality in 2017, which will enable it to launch research into inequality, not only at a global level but also in countries and cities. The work will be presented at an international conference on inequality organised by AFD in partnership with the European Union, which will take place in Paris in December 2018. All the research programmes will promote the national research networks of our partner countries.

Governance, commons and territories

On this topic, AFD continues it research into commons by investigating their operationalisation and the role of the backer in their management. Concretely, this involves work on the following topics: jointly-owned urban real estate (research programme began in 2017), managing commons in the water sector, governance at both government and public level, and finally the role of governance in the link between infrastructures and territorial and regional development. Public policy debate on the processes of structural transformation and the place of the agribusiness industries in the economy will continue, especially in Ethiopia.

Climate, energy and natural resources

In this area, AFD's research primarily involves an analysis of the interactions between economic development and prosperity, on the one hand, and the environment on the other, and the implementation of tools to measure and quantify these interactions.

1.5.6.2 The development campus

In 2017, the Campus provided extended training for 73 young professionals (Master degree programme in project management through a partnership with the University of Auvergne) and capacity building in classroom-based or combined format for nearly 1,000 executives (mainly from Sub-Saharan Africa, North Africa and Southeast Asia) from ministries, public service establishments, financial institutions, businesses and NGOs or agents of AFD and for nearly 3,700 participants in a MOOC (Massive Open Online Course developed in partnership with the École Normale Supérieure) on the energy and ecological transitions in the emerging countries and the South.

2017 also saw the launch of a campus on the theme of the social and inclusive economy and continuation of the gradual digitalisation of educational content of existing classroom-based seminars and the creation of new e-learning educational formats: virtual classes, webinars, serious games or communities of practice via social networks, etc.

Finally, the Campus consolidated its strategic partnership with donors, international organisations or bilateral cooperation in order to co-develop or co-finance training activities and to grow target audiences.

Furthermore, 83 works were published in 2017, bringing the total number of publications in the catalogue up to more than 700. They are circulated via the AFD website (more than 500,000 publications downloaded in 2017) and also in paper format to a targeted number of people within the organisation (head office and field offices), governments, our partners and documentation centres. The publications are promoted, in conjunction with the authors, in a dedicated "Development studies and knowledge" newsletter, through an active social media presence (1,145 members of the dedicated LinkedIn Group, use of the hashtag #EditionsAFD on Twitter) and the organisation of, and attendance at, events."

1.5.7 Proparco's activity

Proparco's net approvals in 2017 (excluding sub-participation loans on behalf of AFD and other third parties), amounted to €1,083.7M in 2017 (compared with €1,058.8M in 2016) and are broken down as follows:

- lending and quasi equity transactions in the amount of €766.29M (€819M in 2016);
- equity investments in the amount of €244.56M (€194.9M in 2016);
- guarantees in the amount of €72.8M (€45M in 2016).

In 2017, Africa remained at the core of Proparco's geographical mandate and approvals on the African continent reached €440.58M, representing 41% of own account approvals; Latin America and the Caribbean represented €241.44M, the Mediterranean and the Middle East €51M, and Asia €110M.

Proparco devoted 47% of its activity to projects aimed at combating climate change.

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

Countries	Own lending		Capital		Other investments		Guarantees	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016
West Africa	90	114	20	19	0	-	0	45
Central and East Africa	91	47	31	24	-	-	36	-
Southern Africa	53	27	-	-	-	-	37	-
Multiple countries Sub-Saharan Africa	15	30	43	42	9	-	-	-
Indian Ocean	15	-	-	-	-	-	-	-
North Africa and Mediterranean	131	221	29	9	-	-	-	-
Asia	110	111	43	24	-	5	-	-
Latin America Caribbean	201	222	40	11	-	2	-	-
The French Overseas Collectivities	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-
Multi-country	50	40	39	65	-	-	-	-
TOTAL	**757**	**813**	**245**	**195**	**9**	**6**	**73**	**45**

In 2017, loans were approved for 31 countries (excluding multi-country loans), including at the top of the table Egypt, Nigeria, Turkey, Brazil, Jamaica, Mozambique, Georgia, Uganda, Costa Rica and Kenya.

The breakdown of loan approvals by sector is very uneven and notable for the dominance of the financial institutions sector with €384M, representing 51% of own account loan authorisations, divided between banks, microfinance and non-bank financial institutions. The infrastructure sector, in second place, represented €279M, accounting for 37% of total approvals. The corporate sector amounted to €93M, representing 13% of own account loan approvals.

For the equity investment activity, 72% of approvals involved investment funds and 28% direct investments, primarily dominated by the financial institution sector, followed by the infrastructure sector.

2

CORPORATE SOCIAL RESPONSIBILITY

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Since 2005, AFD Group has been developing and implementing a corporate responsibility (CR) policy covering both its internal operations and funding activities.

To report on this approach and its impacts, and to improve communication with its stakeholders on the subject, AFD Group publishes an annual corporate responsibility report.

This report falls under the technical frameworks of the Global Reporting Initiative (GRI4), ISO 26000, the United Nations Global Compact and the French Act concerning transparency requirements for companies with regards to corporate social and environmental responsibility.

It is disseminated via various media: on the pages of the AFD website (http://www.afd.fr/home/AFD/developpement-durable) on the one hand, and via the management report, in accordance with the above-mentioned law, on the other hand.

SR reporting methods within AFD Group

Reporting period

The data collected covers the period from 1 January to 31 December of year N. The data is collected on an annual basis.

Selected indicators

In accordance with Act 2010-788 covering French environmental commitment and Decree 2012-557 of 24 April 2012 concerning transparency requirements for companies regarding corporate social and environmental responsibility, the following sections present a list of CSR Information required by regulations.

Indicator scope and reporting

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

The different scopes taken into account are as follows:

Group: AFD, Proparco and French Overseas reserve banks (100% of the Group's headcount);

AFD: AFD head office and local offices (87.12% of the Group's headcount);

Head office: AFD and Proparco head offices (55.99% of the Group's headcount);

AFD head office: AFD head office only, including Marseille site and excluding Proparco (47.89% of the Group's headcount);

AFD Paris head office: AFD head office excluding Marseille site: Barthes, Mistral and Vivacity buildings (47.06% of the Group's headcount);

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

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

Data consolidation and internal control

SR indicators are produced by AFD's various departments according to their areas of expertise and are compiled for the management and SR reports. The Strategy, Foresight and Official Relations department ensures that the information released on indicators is consistent.

External audit

In accordance with the regulatory requirements of Article 225 of the *Grenelle II* Act and its implementing decree of 24 April 2012, AFD asked one of its statutory auditors to prepare a report for 2017 certifying the inclusion of certain information relating to corporate social responsibility, as required in the management report, and a reasoned opinion on the accuracy of the information disclosed.

Definition of indicators and methodological limitations

Information	Description	Scope
SOCIAL INDICATORS		
Employees by age and by gender	Number of employees on the payroll as of 31 December of year N under indefinite-term (CDI) and fixed-term (CDD) employment agreements. Employees under an apprenticeship or under professional training contracts are not included in this metric. The calculation does not take the prorating of part-time work into account.	Group
New hires	Number of employees recruited between 1 January and 31 December of year N under head office indefinite-term employment agreements and local office under indefinite-term and fixed-term employment agreements (service providers and contractors). The calculation does not take the prorating of part-time work into account. A succession of fixed-term employment agreements is recognised only once by the new hire indicator. The conversion of fixed-term employment agreements into indefinite-term employment agreements are recognised as new hires. The conversion of a professional training/apprenticeship contract into a fixed-term or indefinite-term employment agreement is recognised as a new hire.	Group
Dismissals	Number of employees leaving the Group between 1 January and 31 December of year N at the Group's initiative (economic grounds, grave misconduct, other).	Group
Average salary	The average salary is calculated on the basis of all head office and local office employees. It is the notional annual gross salary that is taken into account. The headcount used in the denominator is average annual FTE. Service providers are not recognised in the calculation.	Group
Number of days of absence due to illness	Number of calendar days of absence due to illness during year N for employees covered by French law under AFD Group management. Long-term illness is included in the calculation of this metric. Outside staff (MADPEX statute) is not included in the calculation of absenteeism.	France
Absenteeism rate	Number of business days absent due to illness relative to the number of scheduled work days, factoring in paid vacation.	France
Hours of training	Number of deductible hours of training taken by employees between 1 January and 31 December of year N. This indicator covers: • training for employees under contracts governed by French law; • training organised in foreign countries. There are also training sessions organised at local offices by management. These are not included in this metric.	France
Percentage of supervisory positions held by women	The job titles counted as supervisory positions are: • deputy directors of local offices; • office manager; • unit manager; • section manager; • deputy to the Executive Director; • assistant Deputy Chief Executive Officer of Proparco; • head of division; • regional delegate; • deputy Departmental Director; • directors of local offices; • director of reserve banks; • departmental director; • director of the General Inspection department; • director of Technical Assistance; • executive director; • deputy Chief Executive Officer; • deputy Chief Executive Officer of Proparco; • deputy Chief Executive Officer; • Chief Executive Officer of Proparco; • Chief Executive Officer; • deputy division manager; • corporate secretary.	France

Information	Description	Scope
Environmental indicators		
Energy consumption	Consumption of electricity and use of heating and cooling systems between 1 January and 31 December of Year N. Energy consumption figures are taken from internal reports produced annually based on invoices.	Head office
Number of climate co-benefit projects	Number of projects with joint benefits in terms of reducing greenhouse gas emissions, adapting to climate change or supporting the implementation of policies to combat climate change.	Group
Value of climate co-benefit projects	Value of financing authorisations with joint benefits in terms of reducing greenhouse gas emissions, adapting to climate change or supporting the implementation of policies to combat climate change.	Group
Greenhouse gas emissions avoided or reduced	Greenhouse gas emissions avoided or reduced thanks to climate co-benefit projects financed in year N, over the duration of the projects in teq CO_2/year.	Group
Total distance travelled	Total distance travelled by rail and air on business trips made by head office employees.	Head office
CO2 emissions	Total CO_2 emissions are calculated using the Ademe (French Environment and Energy Management Agency) methodology which includes significant sources of emissions from scopes 1, 2 and 3 direct and indirect emissions.	Head office
Paper consumption/ employee	Reported paper consumption includes: • consumption of reams of paper (blank paper); • consumption of paper supplies (e.g. envelopes with/without logos, incidentals, etc.); • consumption of paper linked to publications. The paper consumption/employee excludes the publications. Figures on paper consumption come from purchase order summaries obtained from suppliers, invoices and delivery slips. Unit weights are calculated based on item descriptions (paper weight) or by weighing if necessary (primarily for publications).	Head office
Social indicators		
Number of training hours dedicated to human rights	The training courses concerned are: • management of conflict sensitivity projects: "do not damage" approach; • management of environmental and social risks related to operations; • gender benchmark; • gender and development; • social and environmental responsibility.	Head office
Share of sovereign financing > €100K underway which has been the subject of a publication	Volume in euros of the data published relating to current sovereign projects of an amount greater than €100K in IATI format, in comparison with the total volume in euros of sovereign financing for amounts greater than €100K at 31 December 2017, excluding: • the following instruments: research funds, GBS, guarantees, multi-country funds, DFID assigned funds, CAEMC and WAEMU transactions; • financing for which approval to publish was not received from the counterparty; • financing awaiting sign-off.	Group
Breakdown of the commitments by sector	The amount in euros of AFD's financing approvals in foreign countries is broken down based on the activity sectors within the meaning of the OECD CAD.	AFD, excluding loans to Proparco, but including sub-participations (activities on its own behalf)
Types and amounts of loans	Amount in euros of AFD's financing approvals (loans) in foreign countries (sovereign/non-sovereign) and in the French Overseas Territories and Collectivities (public/private).	AFD, excluding loans to Proparco, but including sub-participations (activities on its own behalf)
Amounts allocated to NGO initiatives	Amount in euros allocated to the financing of "NGO initiative" projects.	AFD

These scopes are defined in the introduction to part "2. Corporate social and environmental responsibility".

2.1 EMPLOYEE INFORMATION

Scope of indicators for employee information:

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

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

French Overseas reserve banks (IEDOM and IEOM) perform the function of a central bank under the authority of the Banque de France in the French Overseas Departments and Collectivities (DOM and French Pacific Collectivities), a function that differs from AFD's activity. However, all of their employees belong to the AFD/Overseas reserve bank Economic and Social Union (UES)[1].

2.1.1 Employment

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

TOTAL HEADCOUNT MANAGED BY THE GROUP AT 31 DECEMBER 2017:

Employees	End-2016	End-2017
Mainland France[(1)]	1,218	1,389
Foreign and representation offices in the countries of operation	170	180
Technical assistance	3	2
Temporary assignments	27	33
Group head office[(1)]	**1,418**	**1,604**
French Overseas Collectivities	109	109
Foreign countries[(2)]	483	492
Group staff recruited locally[(2)]	**592**	**601**
AFD GROUP TOTAL	**2,010**	**2,205**
Overseas reserve bank head office[(1)]	84	74
Overseas reserve bank local hires	255	252
OVERSEAS RESERVE BANK TOTAL	**339**	**326**
TOTAL STAFF MANAGED BY THE GROUP	**2,349**	**2,531**
AFD Group VI/VCAT[(3)]	114	123
Overseas reserve bank VCAT[(3)]	7	8
INTERNATIONAL VOLUNTEERS TOTAL (VI/VCAT)	121	131

(1) Excluding apprenticeships and professionalisation contracts.
(2) Since 2007, these figures have included employees hired locally according to the provisions of the labour regulations in each country, along with staff equivalent to employees, in other words, service providers in various foreign countries.
(3) VIA: Volontaires Internationaux en Administration (volunteer positions for young people abroad at embassies, French Institutes, Business France offices, etc.)/ VSC: Volontariat de Service Civique (general interest volunteer positions for young people abroad).

At present, AFD has 2,531 employees worldwide, representing an increase of 182 employees relative to 2016.

The 1,678 head office employees, recruited in Paris (176 more than in 2016) break down as follows:

- 1,604 AFD Group head office employees;
- 74 head office employees seconded to French Overseas reserve banks.

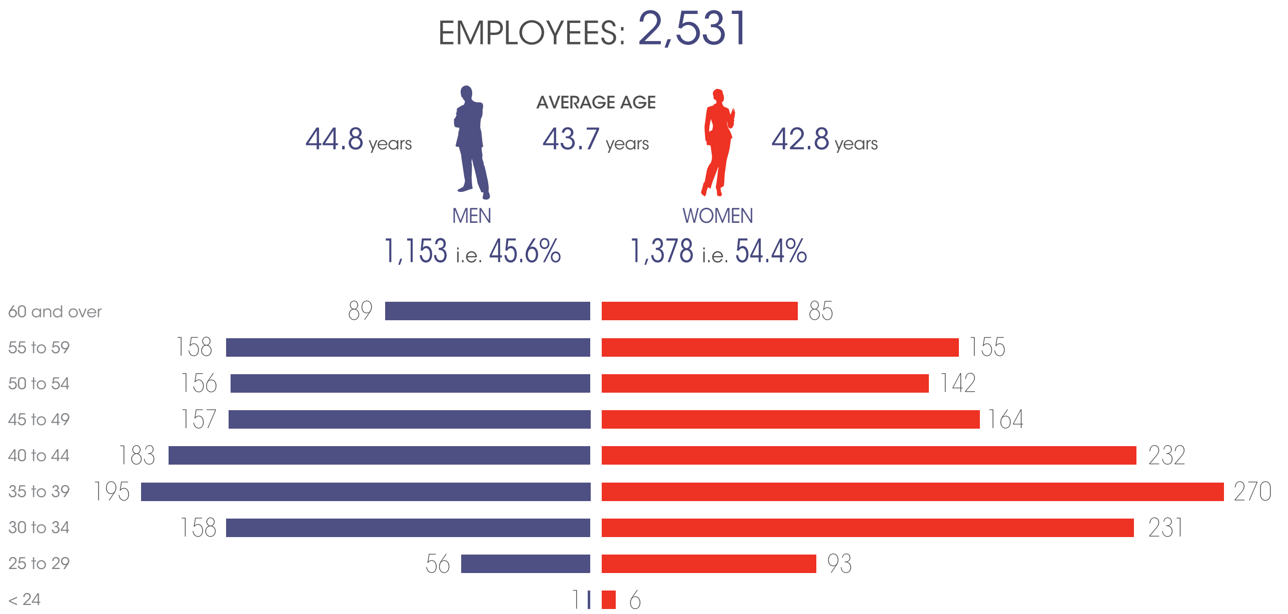
The 853 employees recruited locally (six more than in 2016) include:

- 601 AFD Group employees recruited locally;
- 252 French Overseas reserve bank employees recruited locally.

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

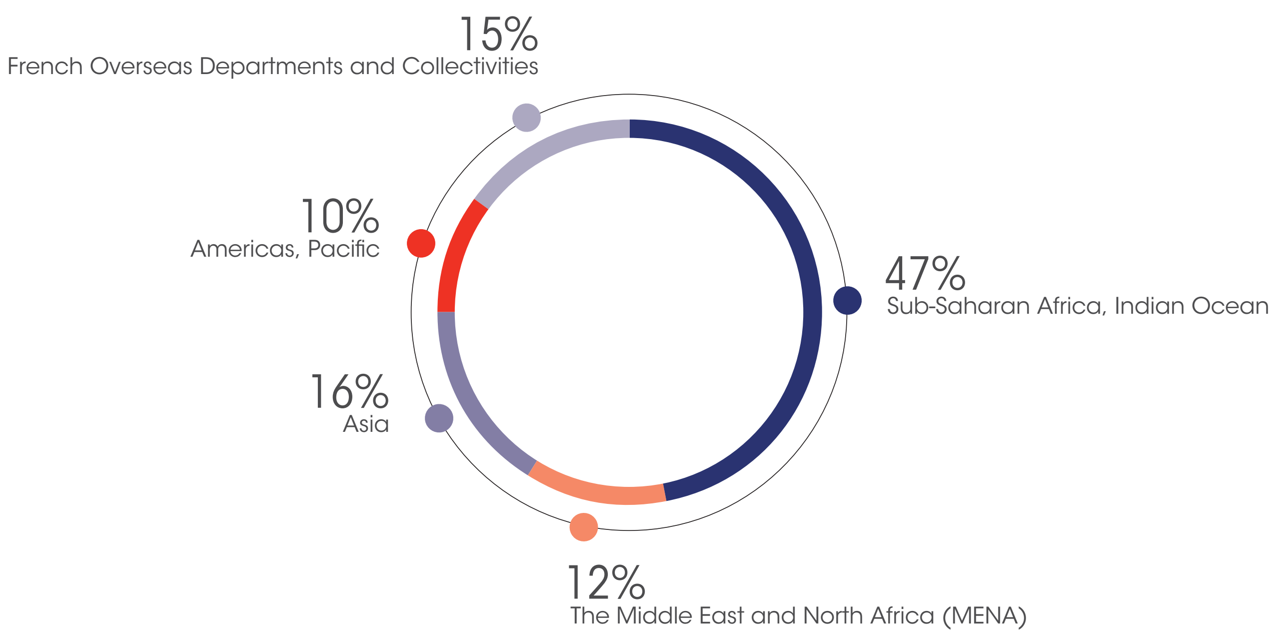
(1) The year 2017 saw the signing of the agreement on the conclusion of the AFD-IEDOM-IEOM-PROPARCO-CEFEB Economic and Social Union (UES) on 13 December 2017

Total staff managed by the Group broken down according to gender and age range in 2017
(at 31 December 2017)



At the end of 2017, 54% of AFD Group employees are women. Their average age is 42.8 years compared to 44.8 years for men. Group

BREAKDOWN OF EMPLOYEES BY REGION



2.1.1.2 New hires and dismissals

External recruitment by the Group on permanent contracts

The profiles that are primarily sought remain closely associated with our core activities of technical and financial engineering, knowledge creation (economics and the political sciences) and sector-based expertise (Healthcare and Education), as well as recurring support and management positions in areas such as risk analysis, internal auditing, project management, management control, back office, etc.).

In 2017, the total number of new hires on a global scale was 299 new employees (227 head office employees and 72 employed locally). **Group**

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	227	72	299
of which French Overseas reserve banks		4	4

External departures of Group employees

In 2017, the total number of permanent departures worldwide (excluding suspensions of contract) totalled 129 (62 head office employees and 67 employed locally) **Group**

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Retirement	24	23	47	1.9%
Voluntary redundancy	7	2	9	0.4%
Resignation	16	18	34	1.3%
End of civil servant secondment	4		4	0.2%
End of definite-term contract		12	12	0.5%
End of trial period	7	1	8	0.3%
Dismissals	2	10	12	0.5%
Death	2	1	3	0.2%
TOTAL	62	67	129	5.1%
of which French Overseas reserve banks	2	7		

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

Dismissals

In 2017, 12 dismissals of which 2 head office employees and 10 local foreign country employees following the closure of the Kabul office (in 2016, four dismissals of which one head office employee and three local foreign country staff). **Group**

2.1.1.3 Compensation and related changes

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

COMPENSATION FOR EMPLOYEES MANAGED BY AFD GROUP

Indicator		
in thousands of euros	2017	2016
Average gross annual salary	72	69.8

AFD ensures that the level of compensation of its employees is competitive and rewarding, both at the head office and in its various offices around the world. Pay practices in force for each market are analysed regularly based on shared principles while also adapting the analysis to different country contexts.

In addition, all employees receive a Group-wide bonus (profit-sharing for employees at head office and in the French Overseas Collectivities, and a Group bonus for locally hired employees in foreign countries).

The overall compensation of AFD employees also includes a social protection component (health fees, insurance, disability and retirement).

AFD's insurance fund is subscribed in the form of a Group insurance plan, all contributions to which are made by the employer. It covers not only employees and their dependants, but also retirees and their dependants.

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

As a result, in 2017 all employees hired in France and locally in foreign offices were covered by social protection mechanisms. These supplement existing systems, where applicable. **Group**

2.1.2 Scheduling of working hours

2.1.2.1 Scheduling of working hours

Scheduling of working hours depends on the regulations applicable in each country where AFD Group operates. As a result, arrangements vary widely with regard to the number of working hours, their flexibility and scheduling.

In AFD branches, staff regulations governing employees hired locally comply with the laws of the country in question, resulting in an average of 37.5 hours worked per week.

For head office employees (recruited in Paris), and since the agreement on the scheduling and reduction of working hours was signed on 30 June 2000, the number of annual working hours has been:

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

Pursuant to the French law of 8 February 2008, AFD offered to buy back days held in time savings accounts (CET) from its employees. An agreement dated 23 December 2008 extended the ways in which time savings could be held and used.

By collective agreement, employees with manager status have been able to work occasionally from home, mainly editorial and preparatory work, since 2004. It is therefore possible to work from home on occasion if employees and their managers agree.

Since January 2017, an experimental agreement provides the option for regular or occasional telecommuting, through the signature of an amendment to the employment contract. This agreement replaces the 2004 agreement on working from home.

In 2017, employees worked 9,426.5 days from home including 8,220 occasional days of work from home. By way of comparison, in 2016 employees worked 5,438 days from home, representing an increase of 73.34%.

In addition, in order to improve work-life balance, employees may take advantage, at their request, of a part-time work arrangement. 5.8% of employees worked part time in 2017. 93% of them are women. 53% of the part-time employees opted for the 80% formula and 33% for the 90% formula. **France**

2.1.2.2 Absenteeism

In mainland France in 2017, 11,261.5 days were lost to illness for head office employees on permanent (CDI) and fixed term (CDD) contracts (of which 223 days for CDD employees), which equates to an absenteeism rate of 2.6% (2% for CDD). **France**

2.1.3 Employee relations

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

Employee representation is organised as follows:

- a **head office Works Council and four local Works Councils for the French Overseas departments** (that have more than 50 employees) collectively represent employees for all matters related to the company's management, economic and financial development, working conditions and scheduling, professional training and social protection. They also organise social and cultural activities established within the company;
- a **Central Works Council** holds twice-yearly ordinary session meetings that bring together representatives from the five Works Councils and deals with financial and economic initiatives that affect all employees governed by French law;
- a **Group committee,** which meets annually, brings together employee representatives of AFD and its subsidiaries;
- the **Health, Safety and Working Conditions Committees** at head office and French Overseas department offices work on employee safety and protection and on improving working conditions;
- the **employee representatives (head office and foreign offices)** gather and present the company with all individual and collective employee claims on application of laws, bylaws and equity policies.

AFD does not have a collective agreement. Labour contracts for AFD employees under French law are governed by staff regulations unique to each institution. Employees hired in foreign offices and in French Overseas departments have an employment contract governed by staff regulations and any relevant collective agreement in the territory in question (collective agreements for banks and financial institutions).

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

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

Works Council and staff representative (CE/DP) elections were held on 20 March 2017.

2.1.3.2 Collective agreement evaluation

Agreements signed during 2017:

06/01/2017	Amendment to the agreement introducing an expatriate status responsibility bonus signed on 30/09/2014
26/01/2017	Agreement on the method for the negotiation of adjustments to employment brought about by the legal transformation of the IEDOM + overview of conclusions
10/03/2017	Amendment to employee savings plan regulations (contribution rate)
17/05/2017	NAO 2017 – Notification of disapproval
17/05/2017	BLOC 2 restructuring agreement
06/07/2017	Agreement on the Central Works Council consultation period for the proposed disposal of shares owned by AFD in the SIDOMs
22/12/2017	Agreement on professional equality between women and men
13/12/2017	Agreement on the conclusion of the AFD-IEDOM-IEOM-Proparco-CEFEB Economic and Social Union (UES).
13/12/2017	Agreement on employment changes involving AFD and IEDOM

Employment negotiations with bodies representing Group employees during 2017 focused principally on reviewing salaries (Mandatory Annual Negotiations), professional equality between women and men and the conclusion of the Economic and Social Union.

The agreements of 13 December 2017 on the conclusion of the AFD-IEDOM-IEOM-Proparco-CEFEB Economic and Social Union (UES) terminate the economic and social grouping on 1 March 2018. The employee representative bodies in accordance with the new provisions arising from the "Macron" orders will be introduced within AFD and the IEDOM in the first half of 2018. These agreements also address the impacts of the conclusion of this UES on the collective bylaws (head office and offices in French Overseas departments) and provide for the progressive end to employee exchanges between AFD and the reserve banks. In this respect, they provide guarantees for employees from IEDOM offices made available to AFD field offices and for AFD head office employees made available to reserve banks.

Agreement on professional equality (see paragraph 2.1.6. on equal treatment)

2.1.4 Health and safety

2.1.4.1 Health and safety conditions in the workplace

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

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

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

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

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

As part of a global reflection on the quality of life at work, management and representatives of all the unions signed an agreement on 9 December 2016. This agreement made provision for a one-year trial of regular telecommuting. This agreement renews the occasional telecommuting system (previously known as "working from home").

This agreement and the trial of regular telecommuting in 2017 achieves a better work/life balance and will, as of this date, be offered to all employees regardless of their socio-professional group.

Plans have been made for two working methods: regular telecommuting (new) and occasional telecommuting (which replaces the option of working from home provided for in the 2004 agreement).

An assessment of the implementation of this agreement must be presented to the trade unions at the beginning of 2018 in order to identify adjustments necessary to continue this agreement.

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

There were 14 work- or travel-related accidents requiring time off in 2017 (9 in 2016), with 182 days lost to accidents over the year (188 in 2016).

France

The frequency rate was 6.69 (4.76 in 2016) and the severity rate 0.09 (0.10 in 2016).

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

2.1.5 Training

2.1.5.1 Training policies implemented

In a context of sharp growth and significant internal changes, the integration of new hires and maintaining cohesion are more than ever at the heart of training policy. A system created in 2016 and known as "onboarding", offers new hires a multi-stage course which unfolds over four to six months and is initiated automatically.

As a result new employees familiarise themselves with their new work environment, but also with the Group's strategy, and AFD's responsibilities and challenges now and in the future. Through short training modules organised regularly on various subjects, they also acquire the essential foundations enabling them to quickly become self-sufficient in their roles. By means of regular discussions between participants from different parts of the organisation, this course also facilitates the integration of new hires while reinforcing Group cohesion.

AFD's training policy still devotes considerable resources to the development of professional skills.

Numerous plan initiatives target the reinforcement of technical banking and finance competencies. Support for project team managers and country managers has been continued through sectoral or cross-functional training, which allows them to master different operating frameworks (sectoral, geographical and cross-functional).

Managers continue to have access to a programme of specific actions to help them improve and develop their managerial skills. During 2017, "the keys to management" course consequently provided support to 180 managers.

The "Development Profession" programme, intended to provide employees with shared expertise in development aid and AFD's role within the French system, continued. 62 employees were able to gain an operational overview of the various forms of aid by making visits to projects in Cambodia, Mozambique and Martinique.

Alongside this, the World seminar, bringing together local employees to discuss topics currently relevant to AFD, projects and strategy took place in Paris for the third time.

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

Lastly, the training offered was enhanced by new partnerships with the Caisse des dépôts et consignations and European Development Financial Institutions (EDFI).

2.1.5.2 The total number of training hours

There was a particularly high momentum in training activities in 2017: 39,681 hours of training were provided (33,435 in 2016), representing an investment of 4.18% of the total payroll.

The overall training effort[1] led by the Human Resources Department represented 53,300 hours in 2017 (48,593 hours in 2016). In 2017, 311 local employees received training organised by the Human Resources Department (at head office or in the region) representing a volume of 8,494 hours.

2.1.6 Equal treatment

2.1.6.1 Measures taken to promote equality between men and women

In 2007, an initial agreement was signed to promote professional gender equality between women and men. In July 2014, a third agreement was signed to confirm and update this commitment for the 2014-2016 period. In June 2015, an amendment for the revision of the agreement relating to professional equality between men and women was signed.

At the end of December 2017 all of the trade unions and management signed a new agreement relating to professional equality between men and women covering the 2017-2019 period. This agreement, which is in response to one of the agency's major social policy challenges, is fully in line with AFD's corporate responsibility policy and with the approach to gender issues initiated in the context of the next SOP.

The principal commitments arising from this agreement, according to the different issues being addressed, are as follows:

- **recruitment**
  - parity of recruitment annually and over the period of the agreement,
  - Equal pay at the point of recruitment,
  - job desegregation: engineers (recruitment target: 25% women for each job title and/or engineering qualification) and focus on industry roles strongly associated with men or women;
- **women in supervisory positions**
  - presence of women in managerial positions at head office and within the network: **target increased to 40% by the end of 2019** with an ambition to reach 50% at the end of 2022 (end December 2017: 38.97%),

(1) *The overall effort takes into account so-called "attributable" and "non-attributable" training initiatives.*

    - the removal of management layers with a focus on the numbers of women and men within the Management committee and Executive committee,
    - personalised coaching and support in order to develop self-confidence,
    - development of internal professional discussion networks and involvement in inter-company influence networks devoted to promoting professional equality;
- **women within the network**
    - presence of women within the network: **target increased to 35% by end of 2019** (end December 2017: 31.1%),
    - support for spouse: introduction of a feedback questionnaire, continuing language training and preparation seminars, improvement in communication and documentation and development of the advisory/orientation role performed by the agency;
- **compensation:**
    - equal pay: close gaps (focus on employees over 50 years of age at levels E to G),
    - introduction of a specific financial package devoted to correcting significant differences following promotions (equal to 5% of the overall envelope dedicated to individual increases),
    - monitoring of actuarial-retirement developments and mortality tables (currently unequal for women/men);
- **combating stereotypes, sexist behaviour and harassment**
    - mandatory e-learning training for everyone,
    - Incorporation of the issue in the new management training cycle planned for 2018,
    - raising Executive committee/Management committee awareness,
    - awareness raising initiatives for all employees: conferences/films/workshops;
- **consideration of parenting issues**
    - revaluation of the guaranteed increase for women returning from maternity or adoption leave (rate for individual increases +1 point),
    - pay guarantee for people returning from parental leave of more than six months (average observed increase over the same level of employment),
    - coaching initiatives for employees returning from maternal or parental leave.

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

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

- AFD's head office had 37 disabled employees at 31 December 2017.

In addition, management and the unions signed a "Handicap" agreement in October 2015. Having won approval from the Regional Directorate for Businesses, Competition Policy, Consumer Affairs, Labour and Employment (Direccte) in November 2015, this agreement covers the following four areas for the 2016-2018 period:

- hiring and integration of new employees with disabilities, and collaboration with the sheltered and adapted employment sector (ESAT/EA);
- retention of disabled employees;
- training;
- awareness-raising and communications.

Specific targets include a direct employment rate of 3% by the time the agreement expires. **France**

2.1.6.3 The anti-discrimination policy

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

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

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

The Group promotes the recruitment of working-age youth by hiring young people through work-study contracts (programmes alternating school training with apprenticeship in a business). In 2017, AFD's workforce included seven employees working under professional training contracts as well as ten employees under apprenticeship contracts.

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

No legal proceedings have been initiated against AFD for discrimination.

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

2.1.7.1 Respect for the freedom of association and the right to collective negotiation

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

- a **constructive dialogue:** management and employee representatives work together to support AFD's development. Their joint efforts are characterised by their pursuit of the collective good;
- a **respect for each party's rights:** management and representatives have complementary roles that should not be confused;
- **professional negotiations:** AFD is careful to provide employee representatives with the resources to carry out their mandates fully (transparency of information supplied, outside training or support in case of difficult negotiations, etc.);

- **preparation:** through its employee dialogue, AFD tries to respond to medium-term employee concerns, particularly regarding social change.

Paragraph 2.1.3.1 covers the structure of employee dialogue at AFD.

2.1.7.2 Discrimination (Employment and Occupation)

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

2.1.7.3 Abolition of forced labour

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

2.1.7.4 Effective abolition of child labour

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

2.2 ENVIRONMENT

2.2.1 General environmental policy

In accordance with the Paris agreement, AFD applies low-carbon and climate change resilient approaches in its operations.

In addressing climate issues, AFD is covered by a national, European and international framework of regulations and incentives and supports the Act on the energy transition and green growth.

As a signatory of the Paris Climate Action Agreement, AFD also participates in working groups and, in particular, the *Quartier des 2 rives* project which was a result of the action plan of the Paris City Council and its partners and targets inter-company synergies.

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

The Group's environmental strategy is based around the following priorities: assessing the direct environmental footprint, implementing measures for mitigating, adapting and offsetting this impact, and raising awareness of these issues among employees.

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

2.2.1.2 Resources dedicated to the prevention of environmental risk and pollution

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

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

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

2.2.1.4 Carbon footprint assessment of AFD's structure

Exceeding regulatory requirements, since 2006 AFD has carried out a Bilan Carbone®, which calculates direct and indirect greenhouse gas emissions, for its head office every year. This was extended in 2009 to all of its agencies and local offices.

The AFD Group Bilan Carbone®, the aggregate of head office and network greenhouse gas emissions, is based on its network of head office and international network benchmarks.

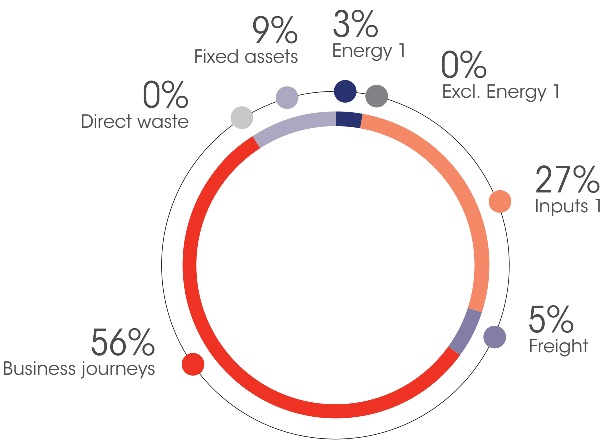
The Group's Bilan Carbone® involves scopes 1, 2 and 3 of the Ademe (French Environment and Energy Management Agency) methodology. It automatically includes all direct emissions (the carbon emissions of AFD's employees) and a selection of indirect emission sources (carbon emissions related to electricity consumption, for heating and cooling, and from AFD's service providers) related to the Group's activities.

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

It is an estimate of greenhouse gas emissions. The CO_2 equivalent identified is approximate. The degree of uncertainty varies depending on whether the data (on waste and freight, for example) is hypothetical or not.

As the network Bilan Carbone® is carried out at the end of the first half of year N+1, the Group's 2017 emissions of 32,390 teq CO_2 consists of the aggregate value:

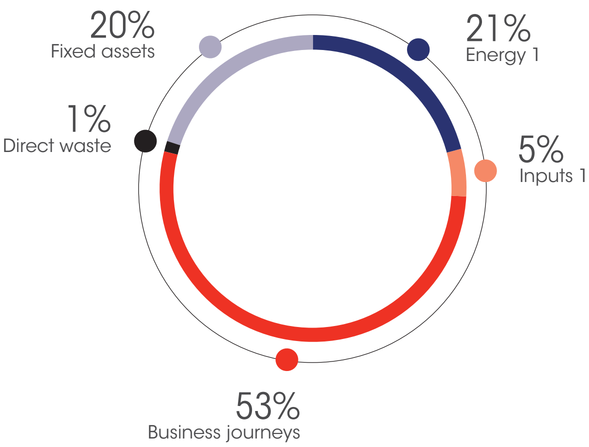
- of the head office's 2017 greenhouse gas emissions or 21,370 teq CO_2 (breakdown in % per item).



The greenhouse gas emissions of mainland France head offices (AFD head office, Proparco and VAL Marseille represent 21,370 teq CO_2 or 15.61 teq CO_2 per employee (excluding service providers). The margin of error for the Bilan Carbone® is approximately 20%.

The reduction in greenhouse gas emissions between 2016 (21,961 teq CO_2) and 2017 (21,370 teq CO_2) is -2.7%. It essentially involves business travel and absorbs the increase in emissions from inputs and fixed assets, which are affected by the increase in the number of employees particularly with regards to paper consumption, meals and purchases of furniture.

- and the extrapolated value of the network's greenhouse gas emissions assessed in 2016 is based on the assumption of an average of 145 teq CO_2 per office. (breakdown in % per item) or 11,020 teq CO_2.



By extrapolating average greenhouse gas emissions of 145 teq CO_2, in 2016, greenhouse gas emissions from our network were estimated to be 11,020 teq CO_2.

Business travel has reduced by 5 teq CO_2 This mainly involves business journeys by car and plane which have seen a notable reduction in terms of greenhouse gas emissions.

The network's energy item includes emissions related to the consumption of electricity and fuels and losses of refrigerants in air-conditioning equipment. It should be noted that electricity consumption represents two thirds of this item.

The reduction in purchases of supplies and paper is offset by an increase in purchases of external services.

Group Bilan Carbone®

The reduction in AFD Group's total emissions is 2.9% (from 33,361 teq CO_2 to 32,390 teq CO_2 in 2017) and enables the collective impact in favour of the environment to be measured.

The inventory method for human emissions of greenhouse gases enables internal means of action to be identified.

AFD has committed to control greenhouse gas (GHG) emissions by simultaneously working to reduce these emissions and offsetting them through its purchase, since 2007, of carbon credits certified according to the most stringent international standards.

In 2017, a project in Brazil, which was already supported by AFD in 2016, enabled AFD's strategy to be continued for a second year, focusing on the use of biomass and forest protection. A project in Uganda enables support for a small scale programme of access to local water with significant social co-benefits.

The project in Brazil makes a major contribution to achieving the Sustainable Development Objectives (SDO) established by the United Nations in 2015. More specifically this programme facilitates community development and also a vocational education centre. Within the plant, working conditions for employees have been significantly improved: a canteen, reading room and IT spaces for employees have been constructed. The technological advances are clear: new furnaces and electronic control systems have been added.

The innovative project makes a major contribution to achieving the Sustainable Development Objectives (SDO) established by the United Nations in 2015, reducing the risk of illnesses as the amount of dirty water ingested will be reduced. This is particularly important in a region where 50% of the population does not have access to drinking water.

Business travel

The lead item in the Group's Bilan Carbone®, both head office and network, the emissions that are associated with travel primarily for business reasons are trending downwards (-15.32%). This is the result of a more refined inventory method but also from more economic modes of travel.

EMPLOYEE AND CONSULTANT BUSINESS TRAVEL (AIR AND RAIL)

Scope: Head office

Carbon and business travel	Indicator	2017	2016	2017/2016 change (in %)
Total emissions	Teq CO_2/year	11,466	13,541	-15.32%
Total distance travelled	Thousands of km	43,352	39,387	10.07%

For all that, AFD's mobility plan specifies areas of marginal improvement and efforts must focus on business travel as set out in the 2018-2020 SR plan.

Nonetheless, in order to take better account of the emissions related to business travel, AFD has implemented solutions that replace travel such as video conferencing (approximately 1,900 in 2017) and telecommuting.

2.2.2 Sustainable use of resources

2.2.2.1 Commodities consumption and measures taken to improve efficiency

Inputs represent 27% of the head office carbon footprint. Particular attention is focused on incorporating environmental due diligence in purchasing.

As a result, all of the fabrics chosen for the hospitality areas of the new Vivacity site are in natural 100% wool materials. These fabrics have received the EU Ecolabel, contain no azo dyes, no chlorinated substances, no dyes containing heavy metals, or PVC.

Desk chairs received the "best of the best" prize in the Red Dot Design Awards both for their comfort and their simplicity of manufacture/recycling in environmental terms.

Paper consumption represents 1% of inputs to the Bilan Carbone®.

COMMODITIES CONSUMPTION

Scope: Head office excluding service providers

Paper	Indicator	2017	2016	2017/2016 change (in %)
Total consumption[(1)]	tonnes/year	58	57	2%
Paper consumption/employee[(1)]	kg/employee/year	42	47.5	-12%

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

Nevertheless, AFD has implemented a number of measures aimed at reducing paper consumption. The choice of paper from sustainable sources (mainly FSC) has helped to reduce the environmental impact.

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

The internal reprographics service enables printing to be kept in line with actual needs and overconsumption to be avoided.

Going paperless is the long-term solution to reducing paper consumption: wages, administrative forms and the ROME project[(1)] are examples of this.

2.2.2.2. Energy consumption and measures taken to improve energy efficiency and renewable energy use

In order to improve its energy efficiency, AFD regularly renovates its property both in France and abroad (hygro-thermal measures: thermal insulation, ventilation system, etc.).

The Group has adopted a policy for managing its assets that will allow it to acquire several properties and will make it easier to manage energy consumption in these buildings and their facilities with equipment that uses renewable energy.

(1) Operational Business Line Directory: Electronic document management project

As such, a study has been carried out on energy efficiency and potential investment in renewable energies (solar, wind, etc.) in the network of local branches and offices. Work has made it possible to install an optimised tool for monitoring energy consumption that enables us to define the precise energy profile of various buildings and determine the priorities for managing energy (equipment, behaviour). Work has made it possible to install an optimised tool for monitoring energy consumption that enables us to define the precise energy profile of various buildings and determine the priorities for managing energy (equipment, behaviour). Similarly, the results of this study will guide equipment selection for local offices in terms of renewable energy production systems.

Furthermore, the Group has launched projects to apply a high environmental quality (HQE) and low-consumption approach to some premises of its local offices. Future housing for AFD management in Fort-de-France, Martinique, has received NF-Environment-HQE certificates. This is one of the first HQE commercial property developments in this French Overseas Department.

In terms of its Paris sites, the Le Mistral building received HQE ("High Environmental Quality") certification, achieving "Very Efficient" performance for five criteria and "Efficient" performance for five more. The building was efficiently designed to minimise its impact on the environment and provides a high degree of comfort to the occupants.

Moreover, in the light of its increasing number of employees, AFD has enlarged its rental property portfolio that complies with the certifications:

- HQE renovation: excellent level;
- BBC renovation;
- BREEAM: excellent.

AFD's desire to support the energy transition is aimed, primarily, at reducing energy consumption and using renewable energies.

The fifth largest item in the Bilan Carbone for the head office and the second item in the network's Bilan Carbone, there is a harmonised approach to the use of renewable energy within the Group.

ENERGY CONSUMPTION

Scope: Head office and data centre.

Note that data centre consumption is included in the AFD Head Office Bilan Carbone.

AFD (Head office and Proparco) net floor area = 46,349.61 m²

Energy	Indicator	2017	2016	2017/2016 change (as a %)
Total energy consumption/m²	kWh/m²/year (net floor area)(1)	148	173	-14.57%
Total energy consumption	MWh/year	6,850	6,901	-0.74%
Total electricity consumption	MWh/year	5,157	4,679	10.23%
Total steam consumption	MWh/year	1,268	1,708	-25.77%
Total cooling energy consumption	MWh/year	425	514	-17.41%
Total solar production	KWh/year	17,079	18,138	-5, 84%

(1) Net floor area (excluding equipment rooms)

Energy consumption is reducing significantly at the Barthes site (-8.23% for electricity, -34% for steam) and the Mistral site (-5.12% for electricity, -20.25% for cooling). This decrease is offset by the occupation of the new Paris site Vivacity, where the increase in the number of employees has resulted in new energy consumption.

This change may be explained by the attention paid to the technical management of buildings associated with significant achievements, which in 2017 explain the decrease in consumption:

- the control of lighting system times through adjusted timing programmes;
- the replacement of more than 1,600 lighting units with LED technology;
- night tracking enabling high energy consumption equipment that is switched on inappropriately at night to be identified;
- controlling the operating time of air conditioning systems and substations by means of precisely calibrated timing programmes.

These achievements are in addition to actions implemented in previous years:

- Under an EDF *Équilibre +* contract, 100% of the electricity purchased by AFD's head office in Paris is produced using renewable energy sources (wind power, solar power, aerothermal energy, etc.);
- AFD has installed solar photovoltaic generators at its head office.

The choice of a shared data centre with data stored in "private cloud" form leads to a reduction in our environmental impact.

One of the investigations into the new storage arrays focuses on climate benefits and they will produce measurable effects in 2018.

2.2.2.3 Water consumption and water supply depending on local constraints

WATER CONSUMPTION

Scope: AFD Paris head office excluding Vivacity

Water	Indicator	2017	2016	2017/2016 change (in %)
Total water consumption	m³/year	12,114	11,446	6%

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

These water consumption data should be interpreted with caution and are being investigated. A probable cause might be a malfunction in the main meter. Continuing investigations should provide a technical analysis of the change in consumption and appropriate solutions.

2.2.3 Pollution and waste management

2.2.3.1 Measures for preventing, reducing or recycling waste

Alongside its initiative to reduce waste at source, various sustainable waste management solutions are also deployed.

AFD has based these measures on the project launched in 2012 to optimise waste management at its head office. The first stage of the Optigede project involved:

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

Areas for optimising waste management and implementing action plans, focused primarily on recycling and re-use, were identified.

In practice, collection channels are used for the following types of waste:

- paper recycling at all the Paris sites;
- the recycling of plastic cups;
- the recycling and recovery of old and discarded furniture;
- collecting and treating batteries/small storage cells and light sources;
- recycling cartridges and toner;
- re-use through donations to associations and the recycling of computer equipment.

Recovery initiatives are being run by international offices:

- composting and recycling green waste from food and gardening following the example of the Brazzaville office;
- recycling ink cartridges (Istanbul office);
- paper recycling (Abuja office).

WASTE PRODUCTION

Scope: Head office excluding service providers

Waste	Indicator	2017	2016	2017/2016 change (in %)
Total volume	tonnes/year	246	230	13%
of which household and related waste	tonnes/year	59.87	123	-34%
Waste production/employee	kg of waste/employee	180	192	-1%

In accordance with the circular economy and solidarity approach, 2017 saw the donation of 174 computers and furniture to *Médecin Sans Frontières* for the Pantin reception centre in Paris which opened on 5 December for unaccompanied child refugees. In addition, a collection campaign enabled 48.3 tonnes of old and discarded furniture to be recycled.

2.2.3.2 Environmental protection training and education initiatives for employees

As part of "European Week for Waste Reduction", communications campaigns approved by the French Environment and Energy Management Agency (Ademe) had as their objectives the aim of raising awareness and forging consensus on the prevention of waste production. This involved pop-up workshops for sustainable initiatives such as the repair of personal computers and the creation of a book exchange library from AFD's cardboard waste.

Furthermore, an initiative run in partnership with the company canteen raised awareness and encouraged reflection on the issues of food waste.

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

AFD's activity does not directly expose it to the need to take measures to prevent, reduce or reclaim pollution in water or soil.

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

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

2.2.4 Climate change

2.2.4.1 AFD Group activity for prevention of climate change in developing countries

After more than ten years of financing climate initiatives, 2017 was a year of evaluation (of the 2012-2016 cross-cutting Climate Intervention Framework), reflection and validation of the proposed guidelines for enhancing AFD's targets and intervention methods (strategies, tools) for combating climate warming and its effects.

In the new Climate-Development strategy adopted in November 2017, one of the most notable changes is the guideline targeting compliance with the Paris Agreement objective of "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". As a result, AFD has set itself the target that all projects financed should be consistent with long-term, low carbon and resilient development paths and will support, in parallel, preparation by countries of the low carbon development strategies required by the COP 21 decision.

The target of directing 50% of financing granted to climate co-benefit projects is retained and extended to the Group as a whole, as is the policy of making selections in the light of their climate impact.

By 2020, €5bn will be devoted each year to projects with direct co-benefits for the climate in foreign countries, including €1.5bn per year for adaptation measures.

In 2017, AFD Group committed around €4bn in climate-related financing, corresponding to an involvement in the financing of 124 development projects with co-benefits related to combating climate disruption and its effects (compared with 83 projects in 2016, representing an increase of 49%). This level of commitment raises the total financing which has a "climate" co-benefit by AFD Group to almost €29bn since 2005. With almost €3.4bn in "climate" financing approvals granted in developing countries in 2017, AFD (excluding Proparco) achieved a level of 50.4% (compared with 51% in 2016) of "climate" approvals. For its part, Proparco granted €646M of "climate" financing approvals, a 47% level of activity with a "climate" joint benefit (compared to 36% in 2016).

Total greenhouse gas emissions avoided or reduced thanks to climate co-benefit projects financed during the year are estimated at 4.8M teq CO_2/year over the duration of the projects' lives.

Financing arrangements with a climate benefit in 2017 have, for example, enabled projects to be supported for reinforcing capacity and infrastructure to combat climate risks in the River Lujan watershed in Argentina, or to support the "Climate change adaptation of towns" programme in Benin. SUNREF lines of credit to Cameroon and Mauritius for projects supporting climate change mitigation and adaptation and reducing inequality between women and men have also been granted, targeting the private sector. Other examples include the continuing financing of the high speed railway line between Tangier and Kenitra (Morocco) or agro-ecological transition projects in Burkina Faso or cotton-growing areas in Benin. Finally, AFD Group, through its Proparco subsidiary, participated in the financing of very large solar farms, whether in Egypt (a farm of 1.8GW installed capacity to the north of Aswan) or in Brazil (the second largest solar farm in South America, in Bahia state).

In 2014, AFD had issued its first Climate Bond issue with a ten-year maturity date for an amount of €1bn. In order to participate in the development of common standards, the approach was built around the Green Bond Principles: justification of the uses of the funds, monitoring of the cash flows, an external opinion and a robust reporting system. AFD has continued its activity in this field in 2017. It has created a programme framework in order to become a more frequent issuer. In this context, AFD has issued a second Climate Bond in the amount of €750M for six years. As a result, AFD's outstanding amount of Climate Bonds now stands at €1.750bn. The next dedicated and enhanced report will be published during the first half of 2018.

In areas of partnerships, AFD has been accredited to manage financing granted by the Green Climate Fund (GCF) since July 2015. The signing, at COP 23 (at the beginning of November 2017), of the framework agreement accrediting AFD with the GCF will allow AFD to implement the first two AFD transactions which were approved by the GCF in October 2015 and April 2016 respectively: i) programme to combat flooding risks in urban environments in Senegal (AFD financing of €50M, €6M from the Senegalese government and €15M from the GCF), and ii) project to develop irrigation and to adapt agriculture to climate changes (PDIA-CC) downstream from the Kaddoussa dam in Morocco (AFD financing of €41M, €18M from the Moroccan government and €20M from the GCF). Some 15 transactions are currently being identified/assessed with the GCF.

AFD is also continuing to play an important role within two major networks of players in the financing of development and climate issues. In October 2017, AFD was appointed to the chairmanship of the International Development Finance Club (IDFC), a network of 23 national, regional and international development banks. Climate finance is one of the principal unifying themes within this network. AFD will have a crucial role to play in it, particularly by promoting the implementation of the Paris Agreement. AFD participates actively in the work of the Climate Action in Financial Institutions initiative, in which around 40 public and private institutions are discussing the question of incorporating climate issues in their intervention strategies and operating methods on the basis of five major mainstreaming principles.

2.2.4.2 Protecting biodiversity

The regions where AFD operates, including the French Overseas Departments and Collectivities, are home to remarkable biodiversity that is significant locally, regionally and also globally. Through its cross-cutting framework initiative on biodiversity for 2013-2016 (extended up to 2018), AFD wanted to increase the amount of its initiatives in this sector: As a result, it has been decided that the annual average volume of AFD's weighted financial commitments would be increased to a minimum of €160M, in order to protect, restore, manage and enhance ecosystems, include biodiversity in development policies and strengthen partnerships between France and developing countries with regard to biodiversity. In 2016, AFD easily exceeded this target, with €337M of commitments in support of biodiversity.

The question of enforcing international standards in the area of biodiversity is posed and incorporated into the implementation of the projects financed. In addition to the implementation of environmental work, AFD Group is prohibited from financing "trade in animals, vegetables or any natural products which do not comply with the provisions of the Convention on International Trade in species of wild fauna and flora threatened with extinction" and, furthermore, "any operation leading to or requiring the destruction of a critical habitat or any forestry project which does not implement a plan for improvement and sustainable management". AFD Group also ensures that any agricultural project that it finances, whoever the initiators are, does not contribute to forest degradation or forest deforestation, thus promoting a "zero deforestation" policy.

The Group undertakes that its operations shall not have a significant impact on biological balance, the natural environment or protected animal and plant species. As a result, AFD Group ensures that the catering service takes great care to offer products that respect ecological balance: no protected fish species are consumed, a range of organic and fair-trade products are offered, etc.

2.3 INFORMATION ON COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

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

The territorial, economic and social impact of AFD's activity in foreign countries and in French Overseas Departments and Collectivities is a result of the role assigned to it by the French State to contribute to the implementation of the French State's official development aid policy to developing countries abroad and the development of the French Overseas Departments and Collectivities and New Caledonia. ADF's activity takes place in the context of the Sustainable Development Objectives (SDO) and the Paris Climate Agreement, with the objective of contributing to building a "shared world".

2.3.1.1 Regional employment and development

AFD Group groups the 17 Agenda 2030 goals into five transitions: demographic and social, energy, territorial and ecological, digital and technological and political and public. These transitions provide a structure for AFD's activity in support of sustainable development by covering all of its areas of intervention.

The mandate conferred on AFD is to contribute to the economic and social development of the regions where it operates by financing and supporting development projects and programmes.

The impact of its financing activities can be assessed as a whole via the sector-based breakdown of its commitments and by their typology. The amount in euros of AFD's financing approvals in foreign countries and in the French Overseas Territories and Collectivities as well as their typology is broken down based on the activity sectors within the meaning of the OECD CAD in Appendix 6.

2.3.1.2 On local communities

Given that any development activity could harm local communities, AFD Group ensures its partners commit to reducing these risks and impacts.

In addition, in 2017 AFD launched its environmental and social complaints system. AFD's Chief Executive Officer formalised the launch of this system in April 2017 by signing a briefing note to all AFD's partners which was widely disseminated within the network.

The financing agreement model now includes a provision covering this system. This provision makes the system rules contractually binding and provides that the borrower expressly authorises that all of the project documents on environmental and social issues, that are necessary to process a claim by one of the panel of independent experts, be passed on.

On 6 June 2017, AFD became a member of IAMnet, a network for cooperation and exchanges between the claims management mechanisms of different donors, following the unanimous approval of its members. AFD decided to join this network in order to present to the donor community its own system and to benefit from experience acquired by other donors in this area.

In July 2017, the system received a first claim related to a drainage project in Douala. This was declared eligible for the dispute resolution process and for a compliance audit by the panel of independent experts recruited by AFD in April 2017.

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

2.3.2.1 Conditions for dialogue with these stakeholders

AFD Group's approach to dialogue with civil society stakeholders is a responsibility shared with all of the Group's divisions. In 2017, it was implemented through the following arrangements:

- institutional dialogue conducted by the Group's General Management with representatives of Coordination Sud, the international NGO solidarity platform, and with NGOs (RAC, WWF, OXFAM, CCFD-TS, ONE, Coalition éducation) on their main advocacy issues (official development assistance, vulnerabilities, climate or education);
- Group participation in the permanent bodies for dialogue offered by the authorities, particularly GISA, the French inter-ministerial group on food security and CNDSI, the French national council for development and international solidarity;
- consultations on the preparation of cross-cutting (partnership strategy with civil society organisations, climate strategy, or strategy in support of external aid for territorial collectivities), sectoral (financial systems, sustainable towns, governance, energy) or geographical (Latin America) strategies as well as corporate responsibility and transparency policies;
- an ongoing dialogue with Coordination Sud regarding the financing arrangements of French civil society organisations, particularly on the management of the "NGO Initiative" scheme and on the organisation of theme-based seminars;
- a dialogue with the Group's operational divisions on sectoral innovation facilities for NGOs, preparation for international meetings (One Planet Summit) and technical committees (Scientific and Technical Committee on Forests);
- a dialogue as part of responses to media disputes and appeals issued by NGOs against AFD's activities (Greenpeace, Oxfam, Global Witness, 350.org, CCFD-TS, Grain, Zero waste, ACF);
- a dialogue with local civil society organisations in network offices (16 meetings in 2017).

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

2.3.2.2 Partnership or sponsorship initiatives

In 2017 as part of a participative approach, AFD Group renewed its partnership strategy with civil society organisations, a commitment over the 2018-2023 period. This strategy is in accordance with the French government's priorities which aim to strengthen partnerships with civil society organisations and to increase the share of official development assistance passing through them in accordance with a growing trend in official development assistance. In 2017, the budget dedicated by AFD to NGO initiatives amounted to €76M, including €5M deferred until the 2018 financial year. AFD thereby participated in the financing of 117 projects and two studies introduced by 88 French civil society organisations (CSO). The total budget dedicated to NGO initiatives increased by 80%, from €42M to €76M, between 2012 and 2017. In parallel, significant dialogue, carried out to the satisfaction of all the stakeholders, resulted in the adoption of measures such as the improvement in the transparency and accountability between AFD and the OSC and the significant reduction in the procedures for examination and monitoring, whilst preserving the quality and exhaustive nature of the data. This dialogue also led to the preparation of a new cross-cutting intervention framework for relations between AFD and the civil society organisations (CIF-CSO) for the 2018-2023 period; it will shortly be approved by the Board of Directors.

In addition, in 2017, AFD entered into or renewed 59 partnerships for an amount of €3.3M. These included partnerships with associations, international institutions, research institutes and regional collectivities. They cover the full spectrum of AFD's operations and develop relationships with French and international partners that can help AFD fulfil its mandate.

2.3.2.3 Transparency

To build a relationship of trust and high-quality dialogue with these external stakeholders, AFD is committed to enhancing transparency in its activities.

The meeting of the Inter-ministerial Committee for International Cooperation and Development (CICID) of 30 November 2016 also reiterated the commitment (pillar V) "to improve the transparency and accountability of French aid" in particular by asking AFD to: (i) lead France's membership of the International Aid Transparency Initiative (IATI); (ii) host on a common website (https://opendata.afd.fr/page/accueil/) the monitoring data and information for the French State's bilateral aid projects and that of its principal operators, including the Agency, in accordance with IATI standards.

To comply with the CICID's request, AFD joined the IATI on behalf of France in 2017. This membership should help it better comply with the IATI standard and ultimately improve the quality of the data it publishes. AFD is continuing its policy to publish business data in the IATI format on its own open data website, http://afd.opendatasoft.com/. The project data published to date cover 69% of sovereign projects of an amount greater than €100K in progress financed over all the areas in which AFD operates.

In addition, AFD continues to publish as much documentation as possible each year to help the public understand its strategies, its activities and operations, including its activity data for the previous five years. Since 2013, it has provided consolidated (albeit not exhaustive) reports of the actual results of its development actions through ex post aggregated performance indicators taken from a list validated by the Inter-ministerial Committee for International Cooperation and Development (CICID) on 31 July 2013. These indicators were included and supplemented in the July 2014 Act on guidance and planning related to development and international solidarity policy.

In addition, under the Partnership for Open Government action plan, France has published a new national action plan for the 2017-2019 period targeting improved transparency in the public services. The significant feature of this action plan is AFD's commitment to expand the scope of its online activities, particularly in the non-sovereign sector.

AFD Group has started to revise its transparency and stakeholder dialogue policy to take account of the best international practices and the expectations of its stakeholders. This new policy will be adopted in the first half of 2018.

2.3.3 Subcontractors and suppliers

2.3.3.1 Consideration of social and environmental issues in our purchasing policy

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

AFD is aware of the difficulties ESATs (vocational rehabilitation centres) and EAs (sheltered workshops) may encounter accessing its markets. With this in mind, the Purchasing and Public Procurement Division has taken steps to mitigate the situation and is making every effort to award the contracts under its responsibility which are suitable for the protected sector to pre-approved partners. With an extended remit, the division will be able to work upstream to identify markets which will be open only to the protected sector.

Moreover, the "Solidarity Procurement" action, linking micro-finance and purchasing (a part of the savings achieved by AFD thanks to its purchases is paid over to micro-entrepreneurs in the countries in which AFD operates in the form of micro-credit) was pursued in 2017, resulting in €263,450 of financing spread over 390 projects in 11 countries.

This project is presented on the website www.achatsafdmicrofinance.fr.

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

The diversity of the countries in which AFD is involved, their singularities and the specificity of the services requested makes it normal to make use of subcontracting during the course of performance of the services by our suppliers.

In order to extend its CSR work to subcontractors and suppliers, the Purchasing and Public Procurement Division has provided, in its contractual documents, for a commitment on the part of bidders to comply with and to ensure compliance by all their subcontractors, in accordance with the laws and regulations applicable in the country where the project is being carried out, with the environmental and social standards recognised by the international community, which include the fundamental agreements of the International Labour Organization (ILO) and the international conventions for the protection of the environment.

2.3.4 Fair practices

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

To combat corruption, money laundering, terrorist financing and fraud that could taint projects, AFD has developed a general policy on the subject. This is a reference document that describes, in particular, the checks to be made by Group employees at the various stages of a project's life cycle. This is a public document[1]. It is organised into relevant internal procedures.

Moreover, following the adoption of the so-called "Sapin II" Act of 9 December 2016 on transparency, fighting corruption and modernising economic life, since 2017 AFD Group has been implementing its anti-corruption and influence peddling programme which is based on eight measures provided for in the Act: i) adopting a Code of conduct on corruption and influence-peddling, ii) reinforcing the training of the most exposed executives and employees, iii) introducing a whistle-blowing system for employees and certain individuals working on behalf of the Group, iv) performing a new corruption and influence-peddling risk mapping that is more detailed than the current mapping, v) implementing an assessment procedure for first tier suppliers and for intermediaries in the context of combating corruption, vi) strengthening accounting control procedures particularly second level controls, vii) preserving the current disciplinary system and viii) reinforcing the internal control and assessment system for measures implemented by second and third level controllers.

This compliance programme will apply to AFD as an industrial and commercial State public undertaking and also to Sogefom and Fisea and to Proparco and its subsidiary TR Propasia. This programme will take effect in the first half of 2018.

Checks made during a project's life cycle

In accordance with banking regulations, prior to beginning a project, the counterparty and any appropriate shareholders are researched in depth in order to identify the beneficial owner. Persons subject to political exposure are also identified. In order to monitor the execution of projects, procedures for reimbursing and winding up equity investments are monitored carefully because they may reveal fraudulent practices.

In addition, at the time of the examination, and then throughout the life of the projects, the Group provides its employees with a filtering tool which consolidates information such as the financial and commercial sanctions adopted by France, the European Union, the United States, the United Kingdom and the UN. Such screening is also included in the processing chain for payments issued by AFD's Financial Department. The purpose is to ensure that no counterparty or individual involved in such checks, or the supplier or winner of a call for tender funded by AFD, is under financial sanction or operates in sectors under embargo by France, the European Union, the United Nations, the United States or the United Kingdom.

Checks carried out as part of the public procurement process

Foreign public procurement for contracts financed by AFD Group undergo specific checks ensuring that the various stages of the procurement process unfold under the required conditions of integrity, transparency, fairness and efficiency. These checks are published through the issuance of a notice of no objection (NNO) and are carried out ex ante at specific stages of the public procurement process.

Over and above these checks, AFD Group imposes exclusion criteria[2] on the Project Owner, in addition to those covered by local legislation, in connection with processing and awarding contracts that AFD is likely to finance.

Counterparty commitments

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

Information reporting systems

There are several information reporting systems within AFD Group. Firstly, Group employees have an operating incident declaration system which collects and centralises all shortcomings identified by employees (including AML/CFT/corruption and fraud issues). Group employees must also report, through a reporting mechanism following management reporting lines, any suspicion of irregular practices within and outside projects. The handling of these suspicions is managed

(1) See the Guidelines for Procurement of AFD-Financed Contracts in Foreign Countries – April 2015.
(2) General AFD and Proparco policy on combating corruption, fraud, cartels, money laundering and terrorist financing – January 2013.

by the Permanent Control and Compliance Department (CPC) in order to benefit from an exhaustive overview of instances encountered and ensure that there is a consistent response or action plan. AFD Group's employees also have the right to consult the Director of this department and her deputy in charge of the Compliance Function directly, if they believe that they have identified a situation where there is a non-compliance risk.

Alongside these pre-existing alert channels, AFD Group currently has a whistle-blowing system in accordance with the requirements of the so-called "Sapin II" Act of 9 December 2016. This system will take effect in the first half of 2018. Its use by employees will not be mandatory. It will be an ancillary, voluntary and optional warning system when an employee believes that current alert channels have not operated correctly.

Training of Group employees

In accordance with applicable French regulations, AFD Group ensures that all of its employees, including those of its office network, receive regular training and notifications on the risks and procedures to implement in terms of the fight against money laundering, terrorist financing, fraud and corruption. In 2017, training on the AML/CFT/Corruption system was again updated to reflect procedural changes made.

These training courses are provided both in e-learning mode and in classroom mode. Two AML/CFT/Corruption training modules in e-learning mode are available to employees of AFD Group. These modules were updated in 2016 and were available to all AFD Group employees in 2017. It is planned that the modules will be updated again in 2018.

They are available to employees based on the risks identified in their activities.

For example, module 1 (LCB/FT/*Corruption, l'affaire de tous !* – AML/CFT/Corruption affects us all!) is for all employees whereas module 2 (*Vérifier la conformité de votre projet* – Checking the compliance of your project) is aimed specifically at employees who are impacted by AML/CFT/Corruption issues. In 2017, 226 new employees, as new hires, were registered for this training.

As of 31 December 2017, 73% of the 226 new employees registered for module no. 1 and 68% of the 162 registered for module no. 2 had completed their training.

In addition to this self-administered training, the Permanent Control and Compliance Department carries out classroom-based AML/CFT/Corruption training. The support materials which are specific to the activities of each employee were also updated in 2017 to provide targeted training sessions ("new hires", "skills development", "change of position", "case studies", etc.).

The CPC Compliance Function led AML/CFT training for 202 employees.

In the area of preventing and combating fraud and corruption, the CPC Compliance Function continued to implement its initiatives aimed at improving the awareness and training of the Group's employees on these subjects in 2107. The CPC Compliance Function dispensed specific training to new hires on the "prevention, detection and control of corruption and fraud risks both as part of and outside the project cycle". Seven training courses were provided to 160 employees. Four "feedback-style" training sessions on the "prevention, detection and control of project-related corruption and fraud allegations" were also organised by the CPC Compliance Function in order to take account of the types of cases encountered. Seventy-two employees participated in these training sessions. Similar modules will be organised in 2018.

Finally, in December 2017, the CPC Compliance Function carried out AML/CFT/Corruption training specifically geared to network employees. Nine Asia/Central Asia offices participated in this session with 15 of their employees being trained as a result. Two further training sessions delivered at the offices are planned.

2.3.4.2 Measures taken to promote the health and safety of consumers

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

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

2.3.5 Initiatives to promote human rights

The question of enforcing international standards in the area of human rights is asked and included in the implementation of the projects financed. Consistent with its exclusion list, AFD Group avoids financing the "production or sale of any illegal product or unlawful activity under the laws of the host country or France or under international regulations, agreements and/or conventions" as well as "products or activities that use forced labour(1) or child labour(2)". Mandatory operations-related work takes account of all the risks which arise from respect for the fundamental rights of man, and which are referred to in the recognised international standards, texts and conventions: human trafficking, sex tourism, population movements, forced labour, child labour, working conditions, equity for disadvantaged or excluded social groups (particularly women) and non-compliance with cultural diversity. These risks are formally set out in financing agreements signed with partners and recipients that must also mention adherence to the fundamental principles of the ILO.

To ensure human rights are respected in all operations, to raise awareness amongst employees and more generally reinforce internal capacities, a range of training courses is offered at the head office and in the local offices. In this way, 1,909 hours of training dedicated to human rights were provided to head office employees in 2017.

Following transfer of the governance of the financing of bilateral cooperation mandate in 2016, AFD has expanded its consideration for human rights in its operations, in support of the institutions. Proposals for ways to incorporate this dimension in the Agency's operations are in the process of being identified.

In addition, the "NGO Initiatives" programme, as a financing instrument, was the precursor of governance issues within AFD and human rights in particular. One of the three aims of the civil society organisation (CSO) cross-functional intervention framework (CIF) 2013-2016 was to support the work of French players in the areas of development cooperation, the promotion of democratic governance and fundamental rights, including human rights. This strategic approach has been reaffirmed in the next CIF-CSO covering the period 2017-2022.

Civil society organisations' initiatives on human rights are integrated and recognised as part of governance-related initiatives. The share of financing allocated to governance projects was quite stable over the 2013-2017 period, varying between 14% and 23% each year, with an average of 19%. As a result, 63 projects were supported over the period involving total subsidies of €42.2M. In 2017, 22 governance-related projects received support amounting to €9.8M with a total project amount of €20.8M.

These projects target a wide range of issues and cover both civil and political rights (combating human trafficking, torture and the death penalty, ending impunity, the detention conditions of prisoners, asylum, defending press freedom, access to justice, etc.) and economic and social rights (decent employment, freedom of association, sexual and reproductive health rights, combating sexual tourism, etc.). They often target specific groups: the rights of women, children, migrants, people under arrest, disabled people or people defending human rights. Many other projects on the ground led by civil society organisations, which are not recorded here, incorporate a rights-based approach, particularly economic and social rights.

For example, FIACAT's project aiming to restrict excessive pre-trial detention in order to prevent torture in prisons in the Republic of Congo, the Republic of Côte d'Ivoire and Madagascar; the *Reporters sans Frontières* project defending the freedom of information in more than 30 countries; Cimade's project defending the rights of migrants in West Africa and the Maghreb; and the *Ensemble* project opposing the death penalty through human rights education in France and internationally.

Awareness raising initiatives are conducted internally and externally. For example in September 2017, AFD organised a seminar on the theme "which prison policies for which societies in the 21st-century".

(1) "Forced labour" refers to any work or service, performed involuntarily and exacted from an individual by threat of force or punishment as defined in the conventions of the ILO.

(2) Employees must be at least 14 years of age as defined in the ILO's Declaration on the Fundamental Principles and Rights at Work (C138 – Minimum Age Convention, Article 2), unless local laws require compulsory school attendance or a minimum working age. In such circumstances, the highest age requirement must be used.

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

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

Year ended 31 December 2017

To the Shareholders,

In our capacity as Statutory Auditors, designated as a third-party body independent of Agence Française de Développement, accredited by the COFRAC under the number 3-1049 (1), we submit to you our report on the consolidated corporate, environmental and social data (hereafter, the "CSR Information") included in the management report for the year ended 31 December 2017 in compliance with Article L. 225-102-1 of the French Commercial Code.

The company's responsibility

Agence Française de Développement's Board of Directors is responsible for preparing a management report that includes CSR Information as set out in Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the standards chosen by the Agency (the "Standards"), a summary of which is included in the management report and is available on request at the Agency's head office.

Independence and quality control

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

Responsibility of the independent third-party body

It is our responsibility, based on our work:

- to certify that the required CSR Information is included in the management report, or, if omitted, that such omission is explained in accordance with the third Paragraph of Article R. 225-105 of the French Commercial Code (Certificate of Inclusion of CSR Information);
- to formulate an opinion with a moderate degree of certainty that the CSR Information as a whole is presented in all its material aspects in a fair and truthful manner in compliance with the Standards (Reasoned opinion on the reliability of CSR Information).

However, it is not our role to give our opinion on compliance with other applicable legal provisions, in particular those provided for by the Sapin II Act n° 2016-1691 of 9 December 2016 (anti-corruption).

This work leveraged the skills of a six-person team and was carried out between December 2017 and April 2018 over a total period of around two weeks. To assist us in carrying out our work, we called on our experts in the area of CSR.

We carried out the following work in accordance with the Decree of 13 May 2013, which defines the procedures an independent third party must follow to carry out its work, and in accordance with the professional guidance of the French Institute of Statutory Auditors, and, with respect to the reasoned opinion on reliability, in compliance with international standard ISAE 3000 (2).

1. Certificate of inclusion of CSR Information

Nature and scope of work

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

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

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

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

(1) For which the scope is available at www.cofrac.fr.
(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

Conclusion

Based on this work and taking into consideration the limits referred to above – in particular the limits of the scope of quantitative environmental data which covers 56% of the workforce and the limits of the scope of some quantitative social data which covers 63% of the workforce – we certify that the management report includes the required CSR Information.

2. Reasoned opinion on the reliability of the CSR Information

Nature and scope of work

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

- ascertain whether the Standards are appropriate in terms of their relevance, completeness, reliability, neutrality and understandability, taking best practices for the sector into consideration when necessary;
- verify that a collection, compilation, processing and review procedure has been established with the aim of ensuring that CSR Information is consistent and complete, and learn about internal control and risk management procedures relating to the preparation of CSR Information.

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

For the CSR Information that we deemed to be the most important [(1)] :

- at Group level, we examined source documents and conducted interviews to corroborate all qualitative information (organisation, policies, measures), we applied analytical procedures to the quantitative information and checked, using sampling techniques, the calculations as well as the consolidation of data and ensured that it was consistent with the other information in the management report;
- we conducted interviews at the Agency's head office to verify that procedures are properly applied and to identify any omissions. We also conducted detailed tests based on sampling, which consisted of checking the calculations made and reconciling data with supporting documentation. The selected sample represents 100% of the employees considered as parameters characteristic of the social data, 100% of the environmental data considered as parameters characteristic [(2)] of the environmental issues and 100% of the quantitative corporate data presented.

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

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

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

Conclusion

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

Paris-La Défense, 3 April 2018

KPMG S.A.

Anne Garans	Pascal Brouard
Partner	Partner
Sustainability Services	

(1) Social indicators: Total headcount (breakdown by gender, age and region); External recruitment on permanent contracts; Number of dismissals (collective and individual); Percentage of supervisory positions held by women; Absenteeism rate; the total number of training hours; Average annual salary.

Environmental indicators: Total paper consumption; Energy consumption; Emissions of greenhouse gases associated with energy consumption and employees' business travel by air and by train.

Societal indicators: Breakdown of AFD approvals by sector (loans outside France); Number and value of climate co-benefit projects; Estimated annual emissions of equivalent tonnes of CO2 avoided or reduced by mitigation projects; Share of sovereign financing >€100K under way which has been published on AFD's website; Net total commitment to projects built on climate emissions as at 31 December 2017; Number of training hours dedicated to human rights.

Qualitative information: Health and safety conditions in the workplace; Measures taken to promote equality between men and women; Training policies implemented; organizing the company to take into account environmental concerns and, if applicable, the procedures for environmental assessment or certification; Measures for preventing, recycling, reusing, other forms of recovery and elimination of waste; Adapting to the consequences of climate change; Conditions for dialogue with individuals or organisations interested in the company's activity; Partnership or sponsorship initiatives; Anti-corruption initiatives.

(2) See the list of environmental and social indicators set out in the footnote on page 3 of this report.

3

CORPORATE GOVERNANCE

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3.1 REPORT ON CORPORATE GOVERNANCE

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

3.1.1 Separation of the functions of Chairman and Chief Executive Officer

In accordance with the transposition of the European Parliament and Council directive 2013/36/EU of 26 June 2013 («CRD IV») by order n° 2014-158 of 20 February 2014, by decree n° 2014-1315 of 3 November 2014 and by decree n° 2014-1316 of 3 November 2014, AFD, as a financing company, separates the functions of Chairman and Chief Executive Officer.

At 31 December 2017, General Management(1) is as follows:

	AFD position appointment	Other mandates and positions
Rémy Rioux	Chief Executive Officer (CEO) *Three-year term, decree published on 25 May 2016*	Director, Chairman of the Proparco Board of Directors Alternate EIB Director
Philippe Bauduin	*Deputy Chief Executive Officer* *Indefinite term, memorandum of instruction AFD/DGL NI – 2016-67 of 6 July 2016*	Director of Proparco Director of Fisea Director of the Société Immobilière de Nouvelle Calédonie
Jérémie Pellet	Deputy Chief Executive Officer *Indefinite term, memorandum of instruction AFD/DGL NI – 2016-68 of 6 July 2016*	Proparco: Director, Vice-Chairman of the Board of Directors Chair of the Advisory Investment Committee Fisea: Permanent AFD representative, shareholder, Director, Chairman of the Board of Directors and Chairman of Fisea Bpifrance Financement: Permanent AFD representative to the Board of Directors of Bpifrance Financement as a non-voting Director Expertise France: AFD representative on the Board of Expertise France as an Observer (art.3 EF decree)

Chief Executive Officer: Rémy Rioux

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

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

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

Deputy Chief Executive Officer: Philippe Bauduin

Recruited to the Caisse Centrale de Coopération Économique in 1983, Philippe Bauduin was assigned as an officer to the Papeete agency. In 1987, he joined the French Guiana Development Finance Company (Sofideg) a subsidiary of the Caisse Centrale as Head of the Corporate and Housing Credit Department.

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

Philippe Bauduin returned to the headquarters of the Caisse in 1998 to take over as Director of the Banking Division in the French Overseas Departments and Collectivities Department. In September 2002, he was appointed Deputy Chief Executive Officer at the Caledonian Investment Bank (BCI) in Nouméa, which at the time was a subsidiary of AFD. As part of his duties, he was seconded to BRED in 2006 for three years. In 2009, he was appointed AFD Director for Pointe-à-Pitre.

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

Deputy Chief Executive Officer: Jérémie Pellet

A graduate of the Strasbourg Institute of Political Studies, Jérémie Pellet began his career at the French Ministry of Foreign Affairs before being accepted at the École Nationale d'Administration. On leaving, he joined the Ministry of the Economy and Finance. After spending three years at the Office of Merger Control and Aid of the Directorate General for Competition Policy, Consumer Affairs and Fraud Control, he joined CDC Entreprises, a private-equity subsidiary of Caisse des Dépôts Group, as Investment Director, where he monitored investment funds active in the south of France, Corsica, French Overseas Departments and Collectivities and the Maghreb region. His work included following CDC's acquisition of a stake in Proparco and, with AFD, managing their mutual private-equity fund in the French Overseas Departments and Collectivities.

In 2009, Jérémie joined BNP Paribas as Director of the finance and investment bank's Regulatory Affairs before joining the bank's Fixed Income department in 2012 when he was responsible for structuring financial solutions for European banks and insurance companies. In 2014, he became a financial economic adviser in the office of the French prime minister, following economic and financial issues, including the Macron Law, the creation of Business France and plans to establish closer ties between AFD and CDC.

3.1.2 Executive Committee

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

- deputy Chief Executive Officer: Jérémie Pellet;
- deputy Chief Executive Officer: Philippe Bauduin;
- operations Executive Officer: Laurence Breton-Moyet;
- general Secretary Executive Officer: François Parmantier;
- human Resources Executive Officer: Christine Harné;
- risks Executive Officer: Sandrine Boucher;
- strategy, Partnerships and Communication Executive Officer: vacant position;
- studies, Research and Knowledge Executive Officer: Gaël Giraud.

3.1.3 Composition of the Board of Directors

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

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

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

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

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

AFD adheres to the principle of balanced representation of women and men on the board, in particular when renewing offices. At 31 December 2017 there were 36 board members. Of the 28 which had been duly appointed (14 permanent and 14 alternate), 8 (28.6 %) were women (4 permanent and 4 alternate).

At 31 December 2017, the Board of Directors had the following members:

Director	Term on the Board appointment	Address	Current position Other mandates
Laurence Tubiana	Chair Decree published on 07/07/2016	Agence Française de Développement – 5, rue Roland-Barthes – 75598 Paris Cedex 12	Chair of AFD's Board Ambassador for Climate Change Negotiations; Director of the French Agricultural Research Centre for International Development (Cirad); Director of the Institute for Sustainable Development and International Relations (IDDRI); Director of the European Climate Foundation; Member of the Governing Council of TERI
Representatives of the French State[6]			
Guillaume Chabert	Permanent 11/04/2015	French Ministry of the Economy and Finance – General Directorate of the Treasury (DGT) – 139, rue Bercy – 75572 Paris Cedex 12	Head of Multilateral affairs and development at the General Directorate of the Treasury (DGT) • Permanent member of the Board of Directors of the Bank of Central African States (BEAC); • Alternate governor representing France to the African Development Bank (AfDB); • Governor of the International Fund for Agricultural Development (IFAD).
Cyril Rousseau	Alternate 12/12/2015	French Ministry of the Economy and Finance –General Directorate of the Treasury (DGT) – 139, rue Bercy – 75572 Paris Cedex 12	Assistant Head Europe, International multilateral financial affairs and development • Director of the Central Bank of West African States; • Member of the Board of the Green Climate Fund.
Morgan Larhant	Permanent 20/10/2017	French Ministry of Finance and Public Accounts Budget Department – 139, rue Bercy – 75572 Paris Cedex 12	Assistant Head Europe, Foreign Affairs ODA, Asylum and Agriculture Permanent Director representing the Ministry of the Budget to: • the Agency for French Teaching Abroad (AEFE); • National Forests Office: • The Service and Payment Agency (ASP), • The French Office for Immigration and Integration (OFII), • The Institut Francais • French Office for the Protection of Refugees and Stateless Persons (Ofpra).
Philippe Plais	Alternate 20/11/2016	French Ministry of Finance and Public Accounts – Budget Department – 139, rue Bercy – 75572 Paris Cedex 12	Head of the Office of Foreign Affairs and Development Assistance (7 BAED) Budget Department No other office or function.
Laurent Bili	Permanent 13/09/2017	French Ministry of Foreign Affairs and International Development – Chief Executive Officer of Global Affairs, Culture, Education and International Development (DGM) – 27, rue de la Convention – CS 91533 – 75732 Paris Cedex 15	Chief Executive Officer of Global Affairs, Culture, Education and International Development Member of the Board as a representative of the State (Maedi): • Agency for French Teaching Abroad (AEFE); • Business France; • Campus France; • Institut français; • Fondation Alliance Française; • Cité Internationale Universitaire de Paris (Foundation); • Institut de la Gestion Déléguée; • Mission Laïque Française; • Résidence Lucien Paye (Cité Internationale Universitaire de Paris) Government Commissioner, Expertise France.
Cyrille Pierre	Alternate 17/11/2016	French Ministry of Foreign Affairs and International Development – 37, quai d'Orsay – 75700 Paris	Head of Development and Global Public Goods Director as a representative of the State (Maedi): Expertise France.
Rémi Maréchaux	Permanent 29/09/2016	French Ministry of Foreign Affairs and International Development –37, quai d'Orsay –75700 Paris	Head, Africa and the Indian Ocean No other office or function.

Director	Term on the Board appointment	Address	Current position Other mandates
Jean Baptiste Faivre	Alternate 20/10/2017	French Ministry of Foreign Affairs and International Development – 37, quai d'Orsay – 75700 Paris	Deputy Head, North Africa and the Middle East No other office or function.
Sophie Yannou-Gillet	Permanent 22/11/2017	Ministry of the French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	Head of the Office of Economic Activity, Employment and Training at the Sub-directorate of Public Policy at the Directorate General of French Overseas Departments and Collectivities Alternate director at the Iedom and Ieom Supervisory Boards
Etienne Desplanques	Alternate 22/11/2017	Ministry of the French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	Assistant Head of Public Policy at the Directorate General of French Overseas Departments and Collectivities Government Commissioner at the Institut Calédonien de Participation (ICAP)
Pierre-Antoine Molina	Permanent 29/10/2015	French Ministry of the Interior – DGEF 18, rue des Pyrénées – 75020 Paris	Director-General for Foreign Nationals in France Director of Adoma (a semi-public company).
Michel Amiel	Alternate 26/04/2017	French Ministry of the Interior – DGEF 18, rue des Pyrénées – 75020 Paris	Assistant to the Head of European and International Affairs at the General Directorate for Foreign Nationals in France No other office or function.
Persons appointed because of their expertise in economic and financial matters[4]			
Omar Kabbaj	Permanent 29/04/2017		No other office or function
Jean-Louis Mattei	Alternate 29/04/2017		Director of the Mauritius Commercial Bank group Director of the Société Générale de Banques (SGBL) in Lebanon.
XXX	Permanent		Awaiting appointment by decree
XXX	Alternate		Awaiting appointment by decree
XXX	Permanent		Awaiting appointment by decree
XXX	Alternate		Awaiting appointment by decree
Philippe Jahshan	Permanent 27/03/2015	Coordination Sud – 14, passage Dubail – 75010 Paris	Chair of Coordination Sud Delegate of External Relations CNSL – Comité National de Solidarité Laïque (National Secular Solidarity Committee). Member of the Office of the CNDSI (French National Council for Development and International Solidarity. Member of the Office of the CSESS (Higher Council of the Social Solidarity Economy). Member of the French Economic, Social and Environmental Council.
XXX	Alternate		Awaiting appointment by decree
Person appointed because of his/her knowledge of ecological and sustainable development issues[1]			
XXX	Permanent		Awaiting appointment by decree
XXX	Alternate		Awaiting appointment by decree
Members of Parliament[4]			
Hervé Berville	Permanent 18/09/2017	National Assembly – rue de l'Université – 75007 Paris	Deputy for the Côtes d'Armor department
Bérengère Poletti	Alternate 18/09/2017	National Assembly – rue de l'Université – 75007 Paris	Deputy for the Ardenne department Departmental councillor of the Ardennes Member of the Parliamentary Assembly of the Council of Europe Member of the Board of Directors of Expertise France
Amélia Lakrafi	Permanent 18/09/2017	National Assembly – rue de l'Université – 75007 Paris	Deputy for the 10th district of French nationals established outside France
Dominique Potier	Alternate 18/09/2017	National Assembly – 126 rue de l'Université – 75007 Paris	Deputy for Meurthe et Moselle President of Association Esprit Civique President of the Association du Pays Terres de Lorraine Director of the Agriculture and Rurality Observatory at the Fondation Jean Jaurès
XXX	Permanent		Awaiting appointment

Director	Term on the Board appointment	Address	Current position Other mandates
Sylvie Goy-Chavent	Alternate 04/09/2015	Senate – rue Vaugirard – 75006 Paris	Senator for the Ain department Municipal councillor of Cerdon; Regional Councillor, Auvergne – Rhône-Alpes department; Community Advisor and Vice-President of the Single-Purpose Intermunicipal Union (SIVU) of the lower valley of the Ain; Member of the Parliamentary Assembly of the Council of Europe (PACE)
Jean-Marc Gabouty	Permanent 15/12/2017	Senate – rue Vaugirard – 75006 Paris	Senator for the Haute Vienne department Vice-President of the Senate Municipal councillor of Couzeix Chairman of the Board of Directors of SA Territoires Graphiques Chairman of the Board of Directors of SAS Info-routage
Fabienne Keller	Alternate 15/12/2017	Senate – rue Vaugirard – 75006 Paris	Senator for the Bas-Rhin department Eurometropolitan councillor of Strasbourg; Vice-Chair of the Conseil National des Villes (National Council for Cities); Municipal councillor of Strasbourg Member of the Board of Directors of: • Robert Schuman Foundation; • Compagnie des transports de Strasbourg; Member of the Supervisory Board of Investissements d'Avenir.
AFD employee representatives[(2)]			
François Pacquement	Permanent 12/12/2016	AFD – 5, rue Roland-Barthes – 75012 Paris	AFD employee Member of the Writing and Editorial Committees of the Revue *internationale des études du développement* Member of the College of Qualified Persons of the Académie de l'Eau Member of the Académie des Sciences d'Outre-Mer
Stéphanie Picard	Alternate 12/12/2016	AFD –5, rue Roland-Barthes – 75012 Paris	AFD employee No other office or function.
Anne Laure Ullmann	Permanent 12/12/2016	Ville de Paris – 9, place de l'Hôtel de Ville – 75004 Paris	AFD employee seconded to the City of Paris General Delegation for International Relations Deputy General Delegate for International Relations
Jean-Marc Pradelle	Alternate 12/12/2016	AFD –5, rue Roland-Barthes – 75012 Paris	AFD employee No other office or function.

The Director's Charter

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

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

Pursuant to Article R.515-18 of the French Monetary and Financial Code, the Board of Directors decides the institution's strategic orientations to implement the objectives entrusted to it by the State. It also approves the contractual targets and resources agreed with the State; the agreements referred to in Article R.515-12 (managed at the State's risk and on behalf of the State); financial aid as mentioned in Articles R.515-9, R.515-10 and R.515-11 and the rules provided for by this last Article; agreements reached pursuant to the second, third, fourth and fifth paragraphs of Article R.515-13 (managed on behalf of third parties); the annual amount of loans to be contracted by the Agency; the provisional statement of operating income and expenses; general aid conditions; the annual financial statements and management report drawn up by the Chief Executive Officer; purchases and sales of buildings; the opening and closing of foreign offices or representation offices; transactions in the Agency's interests and arbitration clauses and the appointment of statutory auditors. The Board of Directors is informed of quality assessments, analyses and evaluations regarding the Agency and its operations.

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

The specialised committees of the Board of Directors

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

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

The Board of Directors may also delegate a part of its powers to the Chief Executive Officer, who reports back to the Board about the decisions that he made under this delegation.

The Board of Directors appoints an Audit Committee and a Group Risk Committee, composed of three to five qualified financial and risk analysts. The Audit Committee provides the Board of Directors with an opinion on the financial statements, as often as required and at least once a year. The Risk Committee advises the Board of Directors on AFD Group's overall strategy and risk appetite.

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

Article R.515-19 of the French Monetary and Financial Code stipulates that the Board of Directors must meet at least four times a year when convened by its Chair. During 2017, the Board of Directors and its specialised committees met 35 times.

3.1.4. Compensation and benefits of the executive offices

Total gross compensation (in euros)	
Rémy Rioux, Chief Executive Officer (start of term, 2 June 2016)	219,914
Philippe Bauduin, Deputy Chief Executive Officer (start of term, 12 July 2016)	160,116
Jérémie Pellet, Deputy Chief Executive Officer (start of term, 18 July 2016)	160,627

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

3.1.5. Other information

3.1.5.1. Any limitations that the board of directors makes to the powers of the chief executive officer (article L225-37-4 of the French Commercial Code)

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

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

n/a

3.1.5.3. The specific terms and conditions of shareholder participation in the general meeting or the provisions of the bylaws that provide for such terms and conditions (Article L225-37-4 of the French Commercial Code)

n/a

3.1.5.4. Report of the Statutory Auditors drawn up pursuant to Article L. 225-235 of the French Commercial Code on the Board of Directors' report on corporate governance.

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

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

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

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

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

3.1.5.7. Agreements entered into, directly or by proxy, between, firstly, one of the corporate officers or one of the shareholders with a fraction of the voting rights of more than 10% of a company and, secondly, another company in which the latter owns, directly or indirectly, more than half of the capital, with the exception of agreements relating to current transactions and entered into under normal conditions

Name of the agreement	Additional information
Agreements and commitments approved in previous years which continued to be performed in financial year 2017	
WITH SOGEFOM	
Service Agreement between AFD and SOGEFOM	AFD's remuneration in 2017: €1,655K
WITH SODERAG	
Cessation of interest on advances to current accounts	n/a
Provision of non-interest bearing shareholder advances to SODERAG	At 31 December 2017, SODERAG'S debt to AFD (under agreements signed between 1997 and 2005): €106,346K (excluding interest).
WITH THE THREE DEPARTMENTAL CREDIT COMPANIES (SDCS)	
Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from SODERAG by the three SDCs	• Loans outstanding at 31 December 2017: **SODEMA: €10,128K** **SODEGA: €18,078K** **SOFIDEG: €856K** • Remuneration received by AFD in 2017: **SODEMA: €239K** **SODEGA: €74K** **SOFIDEG: €20K** • At 31 December 2017, the credit risk assumed by AFD was covered by a provision of €22,949K, which translates as a net reversal of €491K.
WITH FERDI-FONDDRI	
Agreement granting interest-free loans of €25M	At 31 December 2017, the outstanding loans granted by AFD stood at €25M.
WITH PROPARCO	
AFD/ PROPARCO Service Agreement	AFD's remuneration in 2017: €35,293K
Rider 2 to the general AFD/PROPARCO service agreement dated 23 December 2009	Supersedes Rider 1 of 29 December 2011
WITH THE EIB	
Agreement for the deployment of «Junker Plan 1» in French Overseas Departments	A meeting of the Board of Directors on 15 December 2016 authorised the conclusion of a regulated agreement with the EIB. Agreement signed on 22 December 2016.
WITH THE NGOS	
Coordination SUD - Financing of the FRIO facility (2016-2017 financial year)	A meeting of the Board of Directors on 16 June 2016 authorised the conclusion of a regulated agreement with Coordination Sud. Subsidy approved for a maximum amount of €584K At 31 December 2017, €494K had been disbursed under this agreement.
Coordination SUD - Financing Agreement	A meeting of the Board of Directors on 15 December 2016 authorised the conclusion of an agreement with Coordination SUD for a maximum amount of €65K. At 31 December 2017, the full subsidy (€65K) had been disbursed. Agreement signed on 10 April 2017
National Secular Solidarity Committee (Comite National de Solidarité Laique or CNSL) - Programme for Developing Education Networks in West Africa (final phase 2016-2018)	A meeting of the Board of Directors on 16 June 2016 authorised the conclusion of a regulated agreement with the CNSL. Subsidy approved for a maximum amount of €910K At 31 December 2017, €463K had been disbursed under this agreement. Agreement signed on 6 April 2017
Agreements and commitments approved during the 2017 financial year	
WITH THE NGOS	
Coordination SUD - Financing Agreement	A meeting of the Board of Directors on 23 February 2017 authorised the conclusion of a regulated agreement with Coordination Sud. Subsidy approved for a maximum amount of €2,943K. Agreement signed on 10 July 2017
National Secular Solidarity Committee (Comite National de Solidarité Laique or CNSL) - Programme to finance a project to support public participation in post-peace-agreement Colombia.	A meeting of the Board of Directors on 13 July 2017 authorised the conclusion of a regulated agreement with the CNSL. Subsidy approved for a maximum amount of €350K Agreement signed on 31 October 2017
Agreements and commitments not previously approved	
N/A	

3.2 COMPENSATION POLICY AND PRACTICES

3.2.1 Compensation policy governance

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

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

However, the establishment of Appointments Committees and Compensation Committees conflicts with certain bylaw and legal provisions and certain organisational principles for State public undertakings that apply to AFD.

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

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

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

3.2.2. Principal compensation policy characteristics

3.2.2.1. Determining compensation

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

3.2.2.2 Compensation structure

Compensation comprises the following elements:

- basic salary (Article 12.1 of the Staff Regulations)

For employees on job levels C to G, the basic salary includes, without distinction, all hours worked including overtime.

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

- awards and bonuses (Article 12.2)

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

  - year-end bonus (12.2.1)

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

  - holiday bonus (12.2.2)

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

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

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

  - long service bonus (12.2.4)

    Employees on job levels A to C are awarded a long service bonus defined by a scale negotiated with the trade union organisations,

  - professional bonus (12.2.5)

    This is related to holding a type of position and is paid to every employee who holds this type of position. The types of positions in question and the corresponding bonus amounts are decided by the Chief Executive Officer. The bonus stops being paid in the event of a transfer to a position not covered by the professional bonus,

  - personal supplement (12.2.6)

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

(1) Extract from Staff Regulations

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

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

3.2.2.3 Changes in compensation

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

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

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

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

3.2.2.4 Early termination of the employment contract

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

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

1 for economic reasons;

2 on the grounds of professional incompetence;

3 by way of disciplinary action;

4 on the grounds of medical unfitness.

For the following reasons for dismissal, compensation for dismissal is calculated on the basis of an average monthly salary defined as a twelfth of the compensation for the last 12 months:

1 Dismissal for economic reasons:

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

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

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

The amount of the dismissal compensation may not be less than three times the average monthly salary nor more than 18 times this salary.

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

2 Dismissal on the grounds of professional incompetence:

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

3 Dismissal by way of disciplinary action:

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

4 Dismissal on the grounds of medical unfitness:

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

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

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

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

- the Executive Committee (including Proparco's Chief Executive Officer);
- Deputies to the Executive Directors;
- Departmental Directors;
- the Communications and the French Global Environment Facility (FFEM) managers and the Director of the Office to the Chief Executive Officer (who are also members of the Management Committee (CODIR));
- managers of the Board and Second Opinion secretariats;
- Deputies to the CPC (Permanent Control and Compliance Department) and IGE (Inspection General) Departmental Directors;
- and four employee representatives.

The total amount of compensation of any kind paid during the 2017 financial year to all people falling within these categories (49 posts and 55 employees) amounted to €5,406,469.

In addition, the total compensation of the executive officers (Chief Executive Officer, Deputy Chief Executive Officers), Executive Director of Risks and the Director of the Permanent Control and Compliance Department amounted to €794,000 for 2017 (for individuals in post at 31 December). This compensation corresponds to the gross fixed compensation paid by AFD which does not, moreover, pay any variable compensation other than the profit-sharing bonus which is calculated in an identical way for all employees.

3.3 CONFLICTS OF INTEREST

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

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RISK MANAGEMENT

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4.1 RISK FACTORS

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

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

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

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

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

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

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

- risks related to the tightening of economic and financial conditions in emerging countries. Since 2013, emerging and developing countries have regularly been subject to financial stresses caused by developments in advanced countries (Fed announcements, results of US elections and so forth). A sharp increase in long-term interest rates in the United States and elsewhere, triggered by a more rapid tightening of US monetary policy than expected, could have negative consequences for economies which are dependent on external financing and which currently benefit from a high appetite for risk worldwide. These factors could be reflected by a slowdown in economic activity, owing to a reduction in confidence and in the valuation of some assets, and to higher risk premiums. The accompanying increase in the value of the US dollar could negatively affect some heavily indebted emerging countries whose currencies are pegged to the dollar. In addition, while growth remains fragile, the early tightening of European monetary policy is a particular risk for heavily indebted member economies;
- risks related to the Chinese economy. The rebalancing of Chinese growth in favour of consumption and services is continuing more slowly than expected. In addition, indebtedness is on an upward trend and budgetary margins for manoeuvre are decreasing. Unless the Chinese authorities accelerate their efforts to control rapid credit growth, the risk of a sharp deceleration in Chinese growth is increasing, with negative consequences for the rest of the world;
- risks related to persistent low inflation in the advanced economies. An extended period of low inflation and low nominal interest rates would reduce the ability of central banks to lower real interest rates in the event of an economic downturn;
- risks related to financial deregulation. The reforms carried out following the 2008 financial crisis have allowed the supervision of the international financial system to be strengthened, the capital and liquidity of the principal financial institutions to be increased and coordination between the different regulators to be improved. However, recent announcements made by the White House signal a change in direction in favour of deregulation. The concrete implementation of these announcements would be likely to reinforce the probability of a new financial crisis in the medium-term;
- risks related to disturbances in international trade, flows of capital and migratory movements. Recent elections in the advanced economies have shown the frustrations and growing protests of a part of the population which considers itself to be "losing" in the context of the globalisation movement. These protests contributed significantly to the vote in favour of Brexit, to the election of Donald Trump and are also present in the

eurozone, although they are not the views of the majority. These movements could lead to the adoption of protectionist measures, whether trade, financial or migration-related, which could endanger the economic recovery;

- risks related to non-economic factors, in particular geopolitical issues, and risks related to climate change and extreme weather phenomena. Although climate warming will have a negative impact on the majority of economies (with few exceptions involving countries situated at high latitudes), this impact will be more pronounced in the majority of developing countries.

4.2 BASEL III PILLAR 3

4.2.1 General principles

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

This involves companies:

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

4.2.2. Scope of application

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

Agence Française de Développement (AFD)

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

4.2.2.2 Consolidation scope and methods

There is no difference with regard to consolidation principles between accounting data and prudential data. The consolidation scope and methods are defined in Paragraph 6.2.3 "Principles and methods applied to the financial statements at 31 December 2017"; Notes 6.2.3.1 "Consolidation scope and methods".

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

4.2.3 Capital

4.2.3.1 Capital structure

AFD Group's capital at 31 December 2017 was €6,339M, up €479M on 31 December 2016. CET1 capital stood at €5,619M compared to €5,300M at 31 December 2016, and total Tier 1 increased from €5,860M to €6,339M.

CAPITAL STRUCTURE OF AFD GROUP AT 31 DECEMBER 2017

In millions of euros	
CET1 capital before deductions	5,619
CET1 deductions	0
CET1 CAPITAL AFTER DEDUCTIONS	**5,619**
T1 capital before deductions	6,339
T1 deductions	0
T1 CAPITAL AFTER DEDUCTIONS	**6,339**
T2 capital before deductions	0
T2 deductions	0
T2 CAPITAL AFTER DEDUCTIONS	**0**
TOTAL CAPITAL	**6,339**

The breakdown of "regulatory" capital at 31 December 2017 was as follows:

- €5,619M category 1 base capital, comprising hard, non-refundable capital (mainly provisions and reserves);
- €720M additional category 1 capital in the form of undated subordinated bonds subscribed by the French State. The securities commitments made by AFD (which are obligatory under French law), in terms of principle and interest, are direct, unconditional, lowest rank subordinated commitments for an indefinite term without an AFD guarantee. Save for the occurrence of a regulatory event, as provided for in the agreement with the State (point of non viability, *i.e.* non-compliance with the minimum CET1 ratio as provided by law at a specific time), the securities will pay an annual interest of 0.25%.

When itemised, the capital breaks down as follows:

CONSOLIDATED CAPITAL

In millions of euros	31/12/2017
Equity	2,808
Consolidated reserves	1,930
Earnings	0
Projected distribution (20% company income statement)	0
FRBG	460
Equity method diff.	139
Unrealised capital gains and losses	148
Minority interests	198
Intangible assets	-32
Exclusion of unrealised gains entered in KP	-30
Prudent valuation	*-4*
CET1 capital	5,619
CET1 deductions	0
CET1 CAPITAL AFTER DEDUCTIONS	5,619
T1 subordinated securities	720
T1 capital	6,339
T1 deductions	0
T1 CAPITAL AFTER DEDUCTIONS	6,339
Subordinated loans, Art. 4d	0
Subordinated loans, Art. 4c	0
T2 capital	0
T2 deductions	0
T2 CAPITAL AFTER DEDUCTIONS	0
TOTAL CONSOLIDATED CAPITAL	**6,339**

DEDUCTIONS AND PRUDENTIAL RESTATEMENTS UNDER CRR/CRD4

In millions of euros	31/12/2017	31/12/2016
Cut back of non-eligible minority interests(1)	-96,5	-176,6
Exclusion of unrealised gains entered in equity	-29,9	-65,7
Prudent Value Adjustment	-3,5	-0,9
TOTAL	**-129,9**	**-243,2**

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

4.2.3.2 Capital adequacy

AFD easily meets the minimum capital requirements set out in Pillar 1, with an increase in its capital taking its capital adequacy ratio to 16.44% at 31 December 2017, compared with 16.82% at 31 December 2016.

CAPITAL ADEQUACY

In millions of euros

Total capital		**6,339**
CET1 capital	**5,619**	
Tier 1 capital	**6,339**	
Tier 2 capital	**0**	
Eligible capital		**3,085**
Credit risk	**2,873**	
Governments and central banks	1,395	
Banks	607	
Corporates	696	
Equities	175	
DVA	**105**	
Market risk	**0**	
Foreign currency net position < 2% of capital	-	
Operational risk	**106**	
Standard approach to operational risk	106	
Capital surplus or deficit		**3,254**
Solvency ratio		**16.44%**

In 2017, AFD put in place a process for evaluating internal capital adequacy (ICAAP), in line with Section 2 of the European Directive 2013/36/EU. This process enables AFD Group to ensure that its capital is adequate to cover the material risks to which it is exposed, in terms of its activity, its economic model and its business plan. This process, approved by the Board of Directors at its meeting of 26 April 2017, applies to all entities within the prudential scope of consolidation of AFD Group (AFD, Proparco, etc.). As a monitoring process, the ICAAP is developed in line with the other key management processes such as the budget and financial planning procedures, the risk appetite framework and the preventative recovery plan.

It is a cross-functional system which uses an economic approach complementary to the statutory approach to measure capital requirements and available capital and to evaluate their adequacy. The capital adequacy evaluation conducted as part of the ICAAP is supplemented by (i) the capital management framework, (ii) the capital ratio projections, (iii) capital allocation and (iv) stress tests.

AFD's approach involves identifying all the material risks to which it is exposed according to a materiality threshold (updated every year) which measures impact on the solvency ratio. Each material risk is appropriately evaluated in terms of financial capital requirements and must be adequately covered by the available internal capital. The items of internal capital are measured on quality and must meet the risk profile of AFD and its economic model. AFD ensures that its internal capital will be able to remain above the legal requirement should a short or medium term adverse event occur.

The ICAAP for 2018 will be carried out in the second half of 2018 in order to take account of the conclusions of the CICID meeting of 8 February 2018, and its inclusion in the AFD Group's strategic orientations plan.

4.2.3.3 Basel III ratios

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk, which is below the threshold set by (EU) Regulation 575/2013 on capital adequacy with regard to the market.

AFD meets minimum capital requirements with a capital adequacy ratio of 16.44% at 31 December 2017 (16.82% at 31 December 2016).

4.2.3.4 Leverage ratio

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

4.2.4 Risk exposure and evaluation procedures

4.2.4.1 Credit risk

4.2.4.1.1 General information

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

Regarding risk stemming from loans, exposures that are in arrears, *i.e.* primarily loan risk, are monitored in the information system and are automatically downgraded as doubtful loans, in accordance with arrears rules defined by the regulations, and impairments are recorded. The approaches adopted for specific and general provisions and impairments are presented in Paragraph 6.2 of the financial statements: "Provisions" and "Impairments of loans and receivables" in the Notes to the consolidated financial statements. Ratings are reviewed on a periodic basis to ensure individual monitoring of counterparties.

4.2.4.1.1.1 Credit risk exposure

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

Assets *In thousands of euros*	31/12/2017 IFRS	31/12/2016 IFRS
Cash, due from central banks	1,016,778	173,209
Financial assets measured at fair value through profit and loss (excluding derivatives)	33,244	35,895
Financial assets available for sale	3,016,003	2,017,348
Loans and receivables due from credit institutions	6,613,638	6,834,178
Demand	*1,260,143*	*602,068*
Term	*5,353,495*	*6,232,110*
Loans and receivables due from customers	25,437,510	24,219,887
Commercial receivables		-
Other loans to customers	*25,437,510*	*24,219,887*
Overdrafts		-
Finance lease		-
TOTAL LOANS AND RECEIVABLES	32,051,148	3,054,065
Held-to-maturity financial assets	778,182	800,402
Equity stakes in companies accounted for by the equity method	146,156	165,982
Financial assets at fair value through profit and loss (Derivatives)	146,851	111,081
Hedging derivatives	1,679,788	2,390,382
Derivatives	*1,826,639*	*2,501,463*
BALANCE SHEET TOTAL	**38,868,151**	**36,748,363**
Off-balance sheet		-
Firm lending commitments	11,989,375	10,656,145
Financial guarantees	584,957	528,360
OFF-BALANCE SHEET TOTAL	**12,574,332**	**11,184,505**
GRAND TOTAL	**51,442,482**	**47,932,868**

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

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

The different types of financial assets are detailed in Note 3 to the consolidated financial statements – "Financial investments".

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

EQUITY STAKES

	31/12/2017 IFRS			31/12/2016 IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity stakes at fair value through profit and loss		8,676	8,676		11,248	11,248
Equity stakes included in available-for-sale financial assets	61,747	1,185,002	1,246,749	52,349	1,079,711	1,132,061
Companies accounted for by the equity method		146,156	146,156		165,982	165,982
TOTAL	**61,747**	**1,339,834**	**1,401,581**	**52,349**	**1,256,941**	**1,309,291**

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

DERIVATIVES

	31/12/2017 IFRS	31/12/2016 IFRS
In thousands of euros	Assets	Assets
Fair value hedging		
Interest rate derivatives	1,123,766	1,439,698
Interest rate and foreign exchange derivatives (cross-currency swaps)	556,022	950,684
TOTAL 1	1,679,788	2,390,382
Financial assets at fair value		
Interest rate derivatives	3,003	6,146
Foreign exchange derivatives	143,622	104,238
CVA/DVA	226	697
TOTAL 2	146,851	111,081
TOTAL DERIVATIVES	**1,826,639**	**2,501,463**

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

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

OFF-BALANCE SHEET COMMITMENTS GIVEN (FINANCING AND GUARANTEES) ACCORDING TO COUNTERPARTY TYPE

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
COMMITMENTS GIVEN	12,574,332	11,184,505
Financing commitments made to credit institutions	1,732,334	1,600,964
Financing commitments made to customers	10,257,041	9,055,181
SUBTOTAL FINANCING COMMITMENTS	11,989,375	10,656,145
Guarantee commitments made to credit institutions	82,053	57,059
Guarantee commitments made to customers	502,904	471,301
SUBTOTAL GUARANTEE COMMITMENTS	584,957	528,360

FINANCING COMMITMENTS – GEOGRAPHIC SPREAD AND BREAKDOWN BY TYPE OF ACTIVITY

	2017		2016	
In millions of euros	Amount	%	Amount	%
FINANCING COMMITMENTS AT THE GROUP'S RISK	11,989	100%	10,630	100%
Of which foreign countries	11,449	95%	10,042	94%
Sovereign	8,541	71%	7,222	68%
Non-sovereign	2,908	24%	2,820	26%
Of which French Overseas Collectivities	540	5%	588	6%
FINANCING COMMITMENTS AT THE STATE'S RISK	0	0%	27	0%
Loans guaranteed by the State	0	0%	27	0%
TOTAL GROUP FINANCING COMMITMENTS	**11,989**		**10,656**	

GUARANTEE COMMITMENTS – GEOGRAPHIC SPREAD

In millions of euros	2017			2016		
	Foreign countries	French Overseas Departments and Collectivities	Total	Foreign countries	French Overseas Departments and Collectivities	Total
Guarantee commitments given – credit institutions	82	-	82	57	-	57
Guarantee commitments given – customers	418	85	503	394	77	471
GUARANTEE COMMITMENTS	**500**	**85**	**585**	**451**	**77**	**528**

4.2.4.1.1.3 Breakdown of contractual residual maturities of the entire portfolio

BREAKDOWN OF ASSETS BY RESIDUAL MATURITY

In thousands of euros	less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undetermined	Total
1 Financial assets at fair value through profit and loss	0	19,321	118,353	42,421		180,095
2 Derivatives used for hedging purposes (assets)	15,940	22,497	1,336,503	304,847		1,679,788
3 Financial assets available for sale					3,016,003	3,016,003
4 Loans and receivables (including lease financing contracts)	2,973,520	2,110,387	9,880,751	17,086,489		32,051,148
5 Held-to-maturity investments	5,267	29,390	331,459	412,065		778,182
SUBTOTAL	2,994,727	2,181,596	11,667,067	17,845,822	3,016,003	37,705,216
Cash, due from central banks	1,016,778					1,016,778
Equity stakes in companies accounted for by the equity method					146,156	146,156
TOTAL	**4,011,506**	**2,181,596**	**11,667,067**	**17,845,822**	**3,162,159**	**38,868,151**

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

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

THE GROUP'S LOANS AND RECEIVABLES PORTFOLIO IN GROSS AND NET VALUES, WITH IMPAIRED ASSETS SEPARATED OUT

In millions of euros	Outstandings	Impairments	Outstandings net of impairments
Foreign countries			
Sovereign	14,598	80	14,518
of which doubtful	*144*	*78*	*66*
Non-sovereign	10,282	705	9,577
of which doubtful	492	339	153
French Overseas Departments and Collectivities			
Non-sovereign	5,216	41	5,175
of which doubtful	*125*	*41*	*84*
Other outstanding loans	91	0	91
TOTAL	**30,187**	**826**	**29,362**
of which doubtful	*762*	*458*	*304*

4.2.4.1.1.5 Reconciling of changes in provisions for impaired receivables

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

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

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

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

Weighting used to calculate risks

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

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

GROUP CREDIT RISK: PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH, BY RISK SEGMENT

Weighted exposures (in millions of euros)

Risk weighting	Sovereigns and other institutions	Banks	Corporates	Equities	Total
0%					
20%	704	257	78		1,039
50%	2,903	1,951			4,854
100%	13,652	4,524	7,724	458	26,358
150%	180	862	838	1,050	2,929
250%	0		57	679	736
TOTAL	**17,439**	**7,593**	**8,697**	**2,187**	**35,916**

4.2.4.1.3 Techniques for reducing credit risk

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

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

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

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

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

- €3,371M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €861M of off-balance sheet exposure consisting mainly of undisbursed amounts guaranteed by the French State and foreign governments.

BALANCE SHEET EXPOSURE TO CREDIT RISK COVERED BY ELIGIBLE PERSONAL SURETIES (GUARANTEES)

In millions of euros	Net unweighted exposure covered by a guarantee	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
Governments and central banks	565	565	- 565	0
Corporates	1 523	1 565	- 549	1 015
Institutions	209	209	- 4	205
Public sector entities	1	1	0	1
Local and regional governments	1 072	1 071	- 59	1 034

OFF-BALANCE SHEET EXPOSURE TO CREDIT RISK COVERED BY ELIGIBLE PERSONAL SURETIES (GUARANTEES)

	Net unweighted exposure covered by a guarantee	Net unweighted exposure covered by a guarantee			
In millions of euros	Before conversion factor	After conversion factor	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
Governments and central banks	364	184	184	- 27	157
Corporates	46	23	23	- 12	12
Institutions	20	10	10	0	10
Local and regional governments	431	217	217	- 38	179
GRAND TOTAL	**861**	**434**	**434**	**- 76**	**357**

4.2.4.1.4 Counterparty risk

Counterparty risk relating to financial activities

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

Limit system

Counterparty risk on financial instruments is managed using a set of limits and management rules whose principles and main characteristics are set by the Board of Directors.

The unitary approval limit is set for a counterparty based on the counterparty's type, rating, capital and AFD's capital.

4.2.4.1.5 Securitisation

AFD has no securitisation activity.

4.2.4.2 Foreign exchange and market risk

AFD does not have a speculative operations portfolio. However, it records in its trading book any non-deliverable or illiquid currency hedging instruments, forward hedging instruments and/or hedging instruments that have lost their hedging purpose. AFD's positions were below the thresholds applicable to capital requirements for market risk.

The Group's overall net foreign-currency position subject to capital requirements at 31 December 2017 is €91M, primarily in dollars. It does not exceed the threshold of 2% of capital.

4.2.4.3 Operational risk

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

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

Operational risk assessment

When calculating its regulatory capital requirements for operational risk, AFD Group uses the basic method, which relies on the basic indicator as defined in Article 316 of EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms. Under the basic method, capital requirements for operational risk are equal to 15% of the average of the basic indicator (net banking income, excluding provisions and impairments) smoothed over three years.

Capital requirements for operational risk

AFD's average NBI stood at €708M for the last three financial years including 2016, and capital requirements for operational risk totalled €106M at 31 December 2017.

4.2.4.4 Risk on equities and other financial instruments

The methods for valuing and recording equity investments held by the Group are presented in Paragraph 6.2 of the financial statements in the Notes: "Financial assets at fair value through profit and loss" and "Available-for-sale financial assets". The accounting standards for equity-accounted equity investments are outlined in Note 6.2.3.1 ''Consolidation scope and methods''.

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

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

Unrealised capital gains or losses are booked as equity under the heading "Unrealised or deferred capital gains/losses" in the financial statements.

Capital requirements for this category of risk equalled €175M based on a risk-weighted amount of €2,187M.

4.2.4.5 Interest rate risk in the banking portfolio

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

4.2.4.6 Information on encumbered and unencumbered assets

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

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

4.3 RISK MANAGEMENT

4.3.1 Internal control and risk monitoring

AFD's internal control system is intended to provide General Management with reasonable assurance that the following three targets will be met: (i) completion and optimisation of transactions, (ii) reliability of financial information, and (iii) compliance with laws and regulations.

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

At AFD, internal control is the purview of the Permanent Control and Compliance Department (CPC) and the General Inspection department (IGE) for periodic control.

a) Permanent control system

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

AFD's permanent control is exhaustive in scope, because its aim is to ensure that all risks generated by the Group's activities, whatever they may be, are indeed subject to an appropriate control system. Lastly, with regards to the specific disbursements control system, the role of the Disbursement Control division of the CPC department is to carry out second level checks following disbursements for AFD's financing projects. It is a specialist unit that, in accordance with Article 14 of the Decree of 3 November 2014, is independent of operational structures and is responsible for controlling disbursement requests.

b) Anti-money laundering and combating terrorist financing system (AML/CFT)

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

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

c) Periodic control system

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

The Group's risk mitigation is governed through two main bodies: the Board of Directors, via the Group Risk Committee and the Audit Committee, and the Internal Control Committee:

- **The Internal Control Committee**

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

- The Group Risk Committee

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

- The Audit Committee

  Reporting to the Board of Directors, the Group Audit Committee, provided in the by-laws, has been, since the Risk committee's creation, in charge of (i) checking the clarity of the information provided and the appraisal of the relevance of accounting methods, (ii) the appraisal of the internal control quality on the accounting and financial aspects, (iii) supervising the choice of the statutory auditors.

d) Risk monitoring

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

e) Methods of informing executive officers

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

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

The Risk committee (Coris) is responsible for handling its own risks within the field of operation of AFD Group, with a particular focus on macro-economic risks in the countries in which it operates ("country risk") and credit risks ("counterparty risk"). It is chaired by the director of the AFD Executive Risk department (DXR), and is attended by general management.

In its "Compliance" configuration, the New Products and New Activities committee (Coconap) examines twice a year (i) any changes to French or local laws or regulations which affect AFD Group, (ii) any significant compliance events in the respective areas of activity, (iii) the list of operational non-compliance incidents, (iv) the updated compliance, fraud and corruption risk mapping and (v) the progress of corrective measures. For "Compliance" matters, the Coconap is chaired by the director of the AFD Executive Risk department (DXR).

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

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

The role of the Credit committee (CCR) is:

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

The chair of the CCR will be appointed according to the value of the applications submitted, with provision for three levels of delegation (director of the regional department, director of the executive operations department (DOE) or general management).

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

Finally, in the last quarter of 2016, the Executive Risk department (DXR) introduced a memo ("Monthly risks memo") to inform management of issues, topical information and areas requiring attention and vigilance in all things risk-related. It is sent to the executive directors, members of the Management committee (Codir) and directors of local offices.

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

The AFD Group's accounting is handled by the Accounting Treatment division (DTC) of the AFD Finance and Accounting Department (DFC).

The activities of this division include:

- the accounting registration of transactions initiated at the Head Office on the accounts payable, fixed assets, investments and services functions;
- the auditing of local office accounts and the entry of expenses related to seconded agents;
- the recognition of market transactions (loans, derivatives and investment securities);
- the control of the centralisation in the general accounting of ancillary accounts and the implementation of second-level controls on all sectors;
- tax returns with the exception of those relating to wages and the building;
- the preparation of individual company financial statements using French standards;
- SURFI, Balance of Payments, FINREP and COREP regulatory reporting;

and, for the subsidiaries, Sogefom, Proparco and Soderag:

- the keeping of accounting using French standards, the production of the half-year financial statements and of fiscal and regulatory declarations (SURFI –Balance of payments).

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

The accounting recognition of loans, grants and guarantees granted is carried out by the Accounting Section of the Back-Office division (BOD). Accounting controls are provided by the Accounting Treatment division (DTC).

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

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

Accounting control is split between banking operations and general expenses.

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

The DTC division is in contact with external auditors (statutory auditors, tax authorities, Prudential Control and Resolution Authority).

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

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

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

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

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

4.3.3 Credit risk

4.3.3.1 Credit risk measurement and monitoring

The system in place to measure and monitor credit risks is described in Paragraph 6.2.6 Risk information.

4.3.3.2 System of operational limits

The system of operational limits is described in Paragraph 6.2.6.1

4.3.3.3 Monitoring the risks of sovereign counterparties

Monitoring the risks of sovereign counterparties is described in Paragraph 6.2.6.1

4.3.3.4 Monitoring the risks of non-sovereign counterparties

The monitoring of the risks of non-sovereign counterparties is described in Paragraph 5.5.2.3.3

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

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

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

- limiting exposure to liquidity risk;
- ensuring sustainable and steady interest revenue streams for AFD;
- limiting exchange rate exposure to the minimum necessary for temporary operational needs;
- limiting counterparty risk exposure from financial activities by carrying out market and investment operations with only the counterparties that have the highest credit ratings.

Limits and management criteria are set based on guidance from AFD's Board of Directors. In 2017, this body carried out the annual review of the system.

4.3.4.1 Liquidity risk

Liquidity risk is described in Paragraph 6.2.6.2.

4.3.4.2 Interest rate risk

Interest rate risk is described in Paragraph 6.2.6.3.

4.3.4.3 Foreign-exchange risk

Foreign-exchange risk is described in Paragraph 6.2.6.4.

4.3.4.4 Market risk

Market risk is described in Paragraph 6.2.6.6.

4.3.4.5 Counterparty risk

Counterparty risk is described on 6.2.6.6.

4.3.5 Major risk ratio

At 31 December 2017, AFD Group was in compliance with the major individual risk ratio set out by banking regulations, *i.e.*, a maximum of 25% of risk-based consolidated capital.

4.3.6 Other operational risks

4.3.6.1 Risk related to the settlement process

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

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

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

4.3.6.2 Legal risks

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

The Legal department provides legal support:

- in financing, guarantee and equity investment operations at all stages of the project cycle, including restructuring projects and disputes;
- in cross-disciplinary matters (Group risk prevention, international government agreements, relationships with other donors, guarantee funds, partnerships, relationships with subsidiaries and companies in which AFD holds shares, and legal knowledge creation);
- in market transactions;
- in institutional matters (bylaws, governance, relationships with the government and supervisory bodies, legislative and regulatory development, agreements for various services);
- regarding banking and finance regulations;
- in criminal matters, on all subjects where AFD Group or its directors may be held liable;
- by providing consulting services for all AFD entities.

To AFD's knowledge, there are no governmental, legal or arbitration proceedings, whether suspended or pending, that could have or have had a material effect on the financial situation or the profitability of AFD and/or AFD Group over the last 12 months.

4.3.6.3 Non-compliance risks

According to regulations, the CPC department is responsible for the prevention, detection, monitoring and management of non-compliance risk throughout AFD Group.

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

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

The department is part of the Executive Risk department (DXR). The Compliance function reports on its activities to the Internal Control Committee (Cocint) and to the New Products and New Activities committee (Coconap in its Compliance configuration), as well as the Group Risk Committee.

The Compliance function covers all sectors, operations, geographic areas and regulatory contexts of AFD Group. In addition to operational projects and activities, it also concerns the Group's new activities and products, in accordance with regulations.

Its ultimate aim is to ensure that non-compliance risks are appropriately evaluated in the interest of preventing and limiting the exposure of AFD Group and its management to criminal and reputational risks, by coaching them if these risks should arise.

Non-compliance risk monitoring is ongoing and backed by a risk map.

The following changes were made to the non-compliance risk-management system during 2017:

- continuing training initiatives on combating internal and external fraud as well as combating corruption and embezzlement of project funds;
- following the adoption of the so-called "Sapin II" Law of 9 December 2016 on transparency, fighting corruption and modernising economic life and the implementation of a corruption and influence peddling prevention plan which is based on eight measures provided in the law and which complements the Group's pre-existing system for preventing and combating corruption;
- update of AFD Group's AML/CFT procedure following Order no. 2016-1635 of 1 December 2016 tightening the French system to combat money laundering and the funding of terrorism, which transposes into French law the provisions of the 4th directive 2015/849/EU of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Insurance – Coverage of risks run by AFD

AFD has a "civil liability" insurance policy that also covers Proparco, a "Directors and Officers civil liability" policy, a "labour relations" policy, a "first excess property damage" policy that also covers Proparco and VAL, an "all exhibition risks – works of art" policy, and a "Directors and Officers civil liability specific to supplementary pension scheme management (IGRS)[1] risk" policy.

All of the network's agencies are covered by locally underwritten insurance policies (multi-risk residential and office, and civil liability for office activities).

These policies are accompanied by vehicle insurance covering head office (head office policy) and the network (local policies) plus "worldwide" "individual accident" insurance guaranteeing disbursement of share capital in case of death or disability caused by an accident with a vehicle belonging to or rented by AFD.

4.3.6.4 IT-related risks

- Information systems security

AFD Group's Information Technology, Property Management and Logistics department (DMI) combines all aspects of security within its Security division (SEC). The head of the division is also responsible for AFD Group's IT system security (RSSI).

The security risks are analysed at least once a year as part of the IT security management system (SMSI), in line with ISO 27001. The SMSI provides a framework for all of AFD's IT-related risk management, from appraisal of the risks to implementing remedial measures and ongoing IT system security checks. After the annual risk analysis, AFD's general risk map, which is maintained by the Permanent Control and Compliance Department (CPC), and the triennial security project plan are updated. The steering bodies use this project plan to determine the security upgrades for the IT system.

AFD Group's security policy (PSEC) lists the responsibilities and management procedures for all security risks. This strategic document identifies the application policies which require to be updated or put in place to cover all areas of Security, including IT-related security. This policy will change in 2018 to take into account the organisational changes of 2017.

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

The information system security policy (ISSP), which is compliant with ISO 27002, defines the 90 security rules needed to protect AFD's information systems. The application of each rule is stipulated by a set of internal security standards and procedures, in compliance with good practices in the field. This ISSP is accompanied by an IT user charter which has been enforceable for all users since it was included in AFD's rules and regulations in September 2015. An ISS awareness-raising for all Group users ensures that they are familiar with the main terms of use.

The management of security incidents is outlined in a specific directive that sets the management rules to be applied in such a situation in connection with the IT production teams and user support. The RSSI may request the activation of a crisis unit if the nature of the incident so requires.

In 2017, AFD did not suffer any cyberattack crises.

- Emergency and business continuation plan

The AFD Group has a Business Continuity Plan (BCP) intended to cover all of the AFD Group's business lines and activities, including its Proparco and Sogefom subsidiaries. The system aims to ensure the continuation of the Group's activities following a disaster that is unlikely to occur but would have a critical impact.

The plan is formalised in three framework documents applicable to the entire group: the business continuity policy, the crisis management plan and the business continuity plan. These documents are supplemented by procedures for each essential activity.

In 2017, the business continuity policy was changed. It now includes a new class of activity recovery (level 5 availability) for activities that do not support service interruptions.

Continuity procedures are grouped into "BCP kits" provided for each structure operating one of the vital functions. These procedures describe the actions required for implementing the plan, as well as the manual operating modes to be used in case of any long-term unavailability of business premises or information tools. The 16 structures of the AFD Group, including Sogefom and Proparco, are asked at least annually to revise their business impact assessments (BIAs) and update their degraded procedures. Each person in charge of entities registered in the BCP is responsible for applying the procedures of his or her BCP Kit once the plan has been triggered.

AFD also has a "pandemic" plan which describes the principles and ways of maintaining business activity in the event of a global or local pandemic.

The Information and Telecommunications Recovery Plan (PRIT), which covers the risk of an extended IT system outage, has an IT infrastructure that reactivates the AFD Group's applications and essential systems. The PRIT system covers all of the business lines' IT continuity requirements by duplicating 70% of the Group's Information System and 100% of production data. This includes all systems essential to users' "core business" activity for the first month of loss. The remaining 30%, corresponding to non-essential systems, are re-established within three months.

4.3.6.5 Tax risk

AFD did not undergo any tax audits in 2017.

In a letter dated 7 October 2016, the tax authority conducted a comprehensive assessment of all of Proparco's tax returns for the period from 1 January 2014 to 31 December 2015. An audit began on 20 October 2016 and was completed at the end of 2017. The General Directorate of Public Finance issued a proposed non-material correction. At the closing date, the notice of assessment had not been received.

4.3.6.6 Other operational risks

In addition to the risks described above, the permanent control system covers all of the operational risks to which the Group is exposed in relation to Basel categories 1 to 7 (as described in section 4.2.4.3).

This system for monitoring and mitigating all operational risks is based on:

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

Permanent control provides regular reports to the Group's Risk committee and Internal Control Committee (COCINT).

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5.1 RECENT CHANGES AND FUTURE PROSPECTS

5.1.1 Recent changes

Activities

AFD Group's overall activity stood at more than €10.3bn in commitment approvals in 2017, representing an increase of around 10% compared with that achieved in 2016, confirming the continuation of the growth in activities embarked upon during the last two years, in line with the target set by the French President of reaching €12.7bn in 2020.

Governance

AFD's governance system has not changed.

5.1.2 Future prospects

The year 2018 will be notable for new guidelines for French development policy being established. The Committee for International Cooperation and Development (CICID) meeting of 5 February 2018 thus reflected the updated ambition supported by the French President of a target of 0.55% of GNI allocated to ADP in 2022. To achieve this ambition, AFD Group will adopt a new strategy at the beginning of 2018.

In 2018, AFD Group will take operational measures in relation to its new Paris climate agreement implementation mandate. In accordance with its new Climate-Development strategy adopted in November 2017, AFD has set itself the target that all projects financed should be consistent with long-term, low carbon and resilient development paths and will support, in parallel, preparation by countries of their low carbon development strategies required by the COP 21 decision.

Gender has also become a priority area of action for ADF Group. In order to support these new ambitions, AFD Group will define new operational priorities and will begin considering how to increase the resources devoted to the issue.

In 2018, AFD will make helping the disadvantaged and responding to crises one its key areas of focus in partnership with stakeholders in the areas of diplomacy and defence. It will do this, in particular, within the framework of the Sahel Alliance, which AFD has been coordinating since 21 September 2017.

AFD Group is also reaching out to all stakeholders through the IDFC: the recent election of AFD's Chief Executive Officer to the chair of this club firmly places 2018 under the banner of partnership. One of the Group's priorities in 2018 will be to conclude the establishment of an IDFC climate facility and to contribute to the organisation of this club whose financial weight is greater than that of the multilateral development banks combined.

In terms of operations and in order to continue to grow its activities, AFD Group's target is to achieve €11bn of commitment approvals in 2018, which will represent an increase of 6% over that achieved in 2017 (€10.3bn).

Forecast operations by region:

- in line with the French President's commitments (€23bn between 2017 and 2021 for the continent of Africa), and with the conclusions of the CICID in November 2016 (prioritising French aid to Africa), the 2018 forecast for Sub-Saharan Africa is targeting activity of €3bn, in line with the multi-year target of €3bn per year for AFD (excluding Proparco), despite the environment for AFD's activities being constrained by the sharply increasing level of general indebtedness and a reduction in debt reduction-development contracts (C2D) commitments. With the renewal of the Peace and Resilience Facility, expected subsidy resources should allow support to the *least developed countries* that are a priority for France, and particularly the Sahel countries, to be significantly increased. AFD will continue its contribution to France's commitments to increase renewable energy financing in Africa to more than €3bn during the 2016-2020 period, by continuing to seek assignments of funds, in particular from the European Union and the Green Climate Fund;
- in 2018, AFD's operations in the **Mediterranean and Middle East** will continue to grow with a commitment approvals target of €1.6bn. AFD will support Tunisia in implementing its nationally-determined contribution (NDC), in accordance with their recent agreement. Following Morocco, Turkey, Jordan, Egypt and Tunisia are developing ambitious programmes to promote renewable energies. AFD will use all of the Group's instruments to support them, whether through public-private partnership financing or support for preparing appropriate public policies. Particular emphasis will be placed on social inclusion and on incorporating gender inequality issues within projects. In 2018, actions to support improved governance will be reinforced, particularly in Morocco, Tunisia and Jordan, for issues in relation to justice, budgetary processes (gender aware budgeting) or public policies on employment;

- in 2018, growth in the **French Overseas Departments and Collectivities** activity will build on AFD Group's growth momentum with a commitment target of €1.73bn. It is anticipated that loans to companies will continue at the same healthy rate and this seems realistic in the light of requirements expressed by local stakeholders. The activity target for the service AFD operates on behalf of Bpifrance is set at €600M for 2018, continuing the momentum observed in 2017. These figures are still to be confirmed with Bpifrance. The growth in activity should be driven essentially by activity in support of public sector stakeholders;
- AFD's 2018 financial commitment target for **Asia** is €1.5bn. In line with its new strategy for intervening in the region, AFD intends to devote nearly 80% of its commitments to promoting sustainable urban development, managing water and supporting low carbon economic development;
- with a 2018 commitment approvals target of €1.4bn, including nearly 45% in non-sovereign commitments, activity in **Latin America and the Caribbean** will resume an upward trend in terms of commitments in 2018, in line with the target of €2bn by 2020, including 70% in climate co-benefit projects and almost 50% in non-sovereign commitments. The Agency will redouble its efforts to avoid its activities being slowed down by forthcoming general elections in three major countries in the region, Mexico, Colombia and Brazil. The diversification of the portfolio will continue with a very significant volume of activity in the Andean countries (55-60% of financing volumes), but also in Brazil, Argentina and Mexico where there are significant prospects of financing. A more regular flow of commitments is also expected in the Dominican Republic and Peru. Initially expected in 2017, a strategic intervention framework will be presented at the beginning of 2018. It will specify the approaches chosen to achieve the objectives for developing operations during the next five years.

5.1.3 Borrowings

On 1 February 2018, AFD's Board of Directors authorised AFD to borrow a nominal maximum amount of €7.9bn for its operations on its own behalf in 2018, in the form of bank loans or bonds. This ceiling includes a maximum loan of €1.13bn from the French Treasury.

5.1.4 Information about trends

There has been no significant deterioration in the outlook for the issuer and its consolidated subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2017.

5.1.5 Significant change in the issuer's financial position

There has been no significant change in the financial position of the issuer and its consolidated subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2017.

5.2 POST-CLOSING EVENTS

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

5.3 ECONOMIC PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

5.3.1 Consolidated balance sheet

ASSETS

In millions of euros	2017	2016
Loans (net outstanding)	30,406	29,428
• Gross outstandings	31,123	30,146
• Individual impairments	-460	-420
• Collective impairments	-366	-414
• Accrued interest	109	117
Revaluation difference on interest rate hedged portfolio	1	8
Financial assets at fair value through profit and loss	180	147
Financial hedging derivatives	1,680	2,390
Available-for-sale securities	1,322	1,214
Companies accounted for by the equity method	146	166
Investment portfolio	778	800
Short-term cash assets	4,356	2,603
Fixed assets	226	219
Accruals and other assets	622	775
TOTAL ASSETS	**39,717**	**37,749**

LIABILITIES

In millions of euros	2017	2016
Market borrowings	28,892	26,807
Treasury loan	720	561
Current accounts	21	7
Revaluation difference on interest rate hedged portfolio		
Financial liabilities at fair value through profit and loss	266	639
Financial hedging derivatives	1,057	1,508
Allocated public funds	70	74
Accruals and other liabilities	1,748	1,535
Provisions	849	801
Equity (Group share)	5,799	5,522
of which Group income	313	246
Minority interests	295	294
TOTAL	**39,717**	**37,749**

ASSETS

Net outstanding **AFD Group loans** reached €30,406M at 31 December 2017 (77% of the balance sheet), up €978M or 3% compared with the previous year.

Gross outstandings stood at €31,123M, up €977M or 3% compared with 2016. This rise in gross consolidated outstandings was due mainly to:

- the increase in loans at the Group's risk in the foreign country zone (up €727M);
- an increase in outstanding loans in the French Overseas Departments and Collectivities (up €283M);
- partially offset by the decline in loans at the risk of the French State (down €44M).

	2017		2016	
In millions of euros	Amount	%	Amount	%
Loans at AFD Group's risk	30,187	97%	29,166	97%
Of which Foreign countries	24,880	80%	24,154	80%
Sovereign	*14,598*	*47%*	*13,187*	*44%*
Non-sovereign	*10,282*	*33%*	*10,967*	*36%*
Of which French Overseas Collectivities	5,216	17%	4,934	16%
Of which other loan outstandings	91	0%	79	0%
Loans at the State's risk	936	3%	980	3%
Loans guaranteed by the State	*882*	*3%*	*889*	*3%*
Loans granted by the State	*54*	*0%*	*91*	*0%*
GROSS CONSOLIDATED OUTSTANDINGS	**31,123**		**30,146**	

Outstanding loans at the Group's risk (€30,187M, of which €24,880M for foreign countries and €5,216M for the French Overseas Departments and Collectivities) resulted in individual impairments and collective provisions totalling €1,506M, providing a 5% coverage ratio of the outstandings (unchanged from 2016 and 2015). Doubtful loans amount to €762M. They are covered by impairments and provisions in the amount of €524M, equal to a coverage ratio of 69%.

SUMMARY OF OUTSTANDINGS AND PROVISIONS FOR DEPRECIATION

In millions of euros	Outstandings	Impairments and provisions
Foreign countries		
Sovereign	14,598	761
of which doubtful	*144*	*144*
Non-sovereign	10,282	705
of which doubtful	*492*	*339*
French Overseas Departments and Collectivities		
Non-sovereign	5,216	41
of which doubtful	*125*	*41*
Other outstanding loans	91	
TOTAL	**30,187**	**1,506**
of which doubtful	*762*	*524*

The increase in total balance sheet assets is explained by changes in cash (€4,356M), which rose sharply over the year, in anticipation of end-of-year disbursements and of maturities on bonds.

Short-term cash assets	2017	2016	Change
AFD	4,209	2,478	1,731
Proparco	111	110	0
Fisea	17	2	16
Socredo	0	0	0
Soderag	5	5	0
Sogefom	13	7	7
Other subsidiaries	1	1	0
GROUP TOTAL	**4,356**	**2,603**	**1,753**

Other assets amounted to €4,955M in 2017 versus €5,719M in 2016 and represented 12% of total assets. They include the following items:

- financial hedging derivatives of €1,680M (€2,390M in 2016);
- available-for-sale securities (other equity stakes) for €1,322M (€1,214M in 2016);
- fixed assets, accruals and other assets of €848M (€994M in 2016);
- the investment portfolio of €778M (€800M in 2016);
- financial assets at fair value through profit or loss of €180M (€147M in 2016);
- equity-accounted equity stakes of €146M (€166M in 2016);
- €1M in interest rate-hedged portfolio revaluation differences (€8M in 2016).

Liabilities

The **loans** of the AFD Group of a total of €29,612M in 2017 break down as follows:

- outstanding **market borrowings** stood at €28,892M at 31 December 2017, an increase of €2,084M compared with the end of 2016 in connection with 15 bond issues conducted in 2017 including, in particular, the issue of a "climate bond" of €750M in November 2017;
- outstanding **borrowings from the French Treasury** amounted to €720M versus €561M in 2016. This increase is principally related to the bond issue subscribed by the State for the nominal amount of €160M from the €280M initially planned. The drawing-down of the balance in the amount of €120M of this resource with special conditions was deferred in September 2018.

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

Net position	2017	2016	Change
AFD	5,575	5,266	309
Proparco	264	265	0
Socredo	102	99	3
Soderag	-122	-122	0
Other subsidiaries	-20	14	-34
GROUP TOTAL	**5,799**	**5,522**	**277**

Minority interests (share of equity) remained stable at €295M at 31 December 2017, compared with €294M at the end of 2016.

AFD **paid** the French government a dividend of €28M in 2017, versus €36M in 2016 and €24M in 2015.

Other liabilities amounted to €4,023M in 2017 (€4,565M in 2016). They include the following items:

- hedging derivatives of €1,057M (€1,508M in 2016);
- provisions of €849M (€801M in 2016);
- financial liabilities at fair value through profit or loss of €266M (€639M in 2016);
- funds under management and advances from the State of €70M (€74M in 2016);
- current accounts and accruals and other liabilities of €1,748M (€1,535M in 2016). Other liabilities include €9M in trade payables. In accordance with Article L.441-6 of the French Commercial Code, the due dates of the trade payables at 31 December 2017 are shown below:

	31/12/2017					31/12/2016				
	Unmatured debt					Unmatured debt				
In millions of euros	From 0-30 days	From 31-60 days	61 days or more	Matured debt	Total	From 0-30 days	From 31-60 days	61 days or more	Matured debt	Total
Supplier debt	4.5	1.0	0.0	3.4	8.9	3.6	0.4	0.0	2.9	6.8

The **"regulatory" equity amounts**[(1)] to €6,339M at 31 December 2017 compared with €5,860M at the end of 2016. Tier 1 capital for 2017 stands at €5,619M; Tier 2 capital stands at €720M.

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

5.3.2. Consolidated income statement

In millions of euros	2017	2016	Change
Income on loans and guarantees	1,361	1,419	-57
• Financial expenses on borrowings	-1,006	-1,107	101
Subsidies	**186**	**194**	**-8**
Commissions	**71**	**59**	**12**
Net gains/losses on financial instruments at fair value through profit and loss	**82**	**88**	**-6**
Investment income	**24**	**31**	**-7**
Ancillary income and miscellaneous expenses	**36**	**40**	**-4**
NET BANKING INCOME	755	724	32
Overheads	367	325	42
- Staff costs	235	209	26
- Taxes and other general expenses	132	116	16
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	20	18	3
Total expenses on non-banking operations	**388**	**343**	**45**
GROSS OPERATING INCOME	**367**	**381**	**-13**
Cost of risk	-12	-98	86
- Collective provisions	52	-43	95
- Individual impairments of non-sovereign loans	-53	-52	-1
- Losses on principal of bad loans	-11	-3	-8
OPERATING INCOME	355	283	72
Share of earnings from companies accounted for by the equity method	5	8	-3
Net gains or losses on other assets	-12	1	-13.3
+/-Change in value of purchases	0	0	0
PRE-TAX INCOME	347	292	56
Corporate tax	-15	-25	10
Net income from discontinued or discontinuing activities	0	0	0
Net income	332	266	66
Minority interests	-20	-20	0
NET INCOME - GROUP SHARE	**313**	**246**	**67**

Intermediate balances

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

NR	2017	2016	Change
NET BANKING INCOME	755	724	32
Overheads on non-banking operations	388	343	45
Gross operating income	367	381	-13
Cost of risk	-12	-98	86
OPERATING INCOME	355	283	72
NET INCOME	332	266	66
Minority interests	-20	-20	0
NET INCOME - GROUP SHARE	313	246	67

AFD Group's income for 2017 stood at €313M (Group share), up by €67M compared with 2016.

Net banking income

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

Net banking income	2017	2016	Change
AFD	620	579	41
Proparco	143	153	-10
Fisea	-10	-11	1
Soderag	0	0	0
Sogefom	2	2	0
Propasia	0	1	-1
GROUP TOTAL	755	724	32

Net banking income amounted to €755M in 2017, up by €32M compared with 2016 due to the aggregate effect of the items listed below:

Net banking income	2017	2016	Change
BALANCE OF LOANS/BORROWINGS	550	504	46
Investment income	24	31	-7
Net interest provisions	-8	1	-10
Commissions	71	59	12
Income on instruments at fair value net of currency effects	82	88	-6
Other financial income and expenses	36	40	-4
GROUP TOTAL	755	724	32

The change in net banking income was mainly due to:

- an increase in the balance of loans/borrowings net of subsidies (+€46M);
- an increase in commissions of €12M;
- the reduction in income from financial instruments at fair value through profit or loss, net of currency effects (-€6M);
- the increase of net provisions for interest of €10M.

gross operating income

Gross operating income totalled €368M in 2017 versus €381M in 2016. This reduction of €13M is the combined result of the increase in net banking income (+€32M), coupled with the negative impact of an increase in non-banking operating expenses (+€45M).

The increase in non-banking operating expenses was planned in AFD's 2017 budget, which in turn was up 15% on the 2016 budget. In effect, the budget approved by the Board of Directors estimated operating expenses at €383M with an estimated out-turn of €377M at year end related to the necessary increase in human resources and equipment in the context of AFD's growth.

The increase in expenses for non-banking operations is linked to the increase in staff costs related to increased numbers of employees and the rise in external expenses.

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

GOI	2017	2016	Change
AFD	287	283	4
Proparco	90	108	-18
Fisea	-10	-11	1
Soderag	0	1	-1
Sogefom	0	0	0
Propasia	0	0	0
GROUP TOTAL	367	381	-13

Cost of risk

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €12M compared with €98M in 2016, and breaks down as follows:

Cost of risk	2017	2016	Change
Collective provisions and impairment	52	-43	95
Individual impairments of non-sovereign loans	-53	-52	-1
Losses on principal of bad loans	-11	-3	-8
TOTAL COST OF RISK	-12	-98	86

The reduction in the cost of risk over the financial year is essentially the result of refining the methodology used to calculate collective provisions for the sub-participation loan portfolio.

Operating income

The slight reduction in gross operating income (-€13M) and the positive impact of the reduction in the cost of risk led to increased operating income of €355M, up €72M compared with 2016.

Ordinary income before tax

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

The contribution from equity-accounted[(1)] companies (€5M) is also down compared with 2016 (€8M) owing to the Simar disposal. Ordinary income before tax was consequently €347M in 2017 (compared with €292M in 2016).

Net income

Taking account of corporate tax (€15M) and the stakes of minority shareholders in Proparco, Propasia and Sogefom (€20M), net profit in 2017 totalled €313M.

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

	2017		
In millions of euros	Group share	Minority interests	Total
AFD	282		282
Fully consolidated companies	46	-20	26
Proparco	56	-20	37
Sogefom	-1	0	0
Soderag	0	0	0
Propasia	0	0	0
Fisea	-10	0	-10
Equity-accounted companies	5		5
Socredo	5		5
SIC	0		0
Simar	0		0
GROUP TOTAL	332	-20	313

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

6

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6.1 OVERVIEW

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

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

Listed on the Paris Trade and Companies Register under Number 775 665 599.

The consolidated financial statements for financial year 2017 were approved on 11 April 2018 by the Board of Directors.

6.1.1 Balance sheet at 31 December 2017

ASSETS

In thousands of euros	*Notes*	31/12/2017 IFRS	31/12/2016 IFRS
Cash, due from central banks		1,016,778	173,209
Financial assets at fair value through profit and loss	*1*	180,095	146,976
Hedging derivatives	*2*	1,679,788	2,390,382
Financial assets available for sale	*3*	3,016,003	2,017,348
Loans and receivables due from credit institutions	*4*	6,613,638	6,834,178
Demand		*1,260,143*	*602,068*
Term		*5,353,495*	*6,232,110*
Loans and receivables due from customers	*4*	25,437,510	24,219,887
Commercial receivables		-	-
Other loans to customers		*25,437,510*	*24,219,887*
Revaluation differences on interest rate-hedged portfolio		1,166	7,514
Held-to-maturity financial assets	*3*	778,182	800,402
Current tax assets			
Deferred tax assets		22,683	23,079
Accruals and other miscellaneous assets	*5*	599,443	751,497
Accruals		*53,335*	*24,734*
Other assets		*546,107*	*726,763*
Equity stakes in companies accounted for by the equity method	*18*	146,156	165,982
Fixed assets Property, plant and equipment	*6*	194,190	192,310
Intangible assets	*6*	31,822	26,615
TOTAL ASSETS		39,717,454	37,749,378

LIABILITIES

In thousands of euros	*Notes*	31/12/2017 IFRS	31/12/2016 IFRS
Central banks		76	-
Financial liabilities at fair value through profit and loss	*1*	266,205	638,514
Hedging derivatives	*2*	1,057,272	1,507,704
Debts to credit institutions	*7*	17,060	4,506
Demand		*16,416*	*3,861*
Term		*644*	*645*
Debts to customers	*7*	2,187	1,937
Other debts		2,187	1,937
of which demand		*2,187*	*1,937*
of which term			
Debt securities in issue	*7*	28,893,858	26,809,441
Interbank market securities		*679,787*	-
Bonds		*28,214,071*	*26,809,441*
Deferred tax liabilities		6,345	7,168
Accruals and other miscellaneous liabilities	*5*	1,811,741	1,602,578
Borrowings from French Treasury		-	-
Allocated public funds		*69,776*	*74,384*
Other liabilities		*1,741,964*	*1,528,194*
Provisions	*10*	849,211	801,344
Subordinated debt	*7*	720,005	560,004
TOTAL DEBTS		**33,623,960**	**31,933,196**
Equity Group share	*(Tab 1)*	**5,798,892**	**5,521,847**
Provisions and related retained earnings		3,267,999	3,267,999
Consolidated retained earnings and other		2,069,707	1,851,719
Gains and losses directly recognised in equity		148,381	155,930
Earnings for the period		312,805	246,200
Minority interests	*(Tab 1)*	**294,602**	**294,334**
TOTAL LIABILITIES		**39,717,454**	**37,749,378**

6.1.2 Income statement at 31 December 2017

In thousands of euros	*Notes*	31/12/2017 IFRS	31/12/2016 IFRS
Interest and related income	*12-1*	1,358,718	1,418,333
Transactions with credit institutions		289,725	310,802
Transactions with customers		660,233	645,785
Bonds and other fixed-income securities		22,724	24,588
Other interest and similar income		386,036	437,157
Interest and related expenses	*12-1*	1,005,923	1,106,637
Transactions with credit institutions		597,564	593,776
Transactions with customers		0	20,434
Bonds and other fixed-income securities		387,590	422,119
Other interest and similar expenses		20,769	70,308
Commissions (income)	*12-2*	87,748	78,817
Commissions (expenses)	*12-2*	1,830	3,402
Net gains or losses on financial instruments at fair value through profit or loss	*13*	82,434	88,118
Net gains or losses on available-for-sale financial assets	*14*	32,727	45,112
Income from other activities	*15*	229,794	219,298
Expenses on other activities		28,453	15,971
NET BANKING INCOME		755,216	723,668
Overheads		367,252	325,062
Staff costs	*16-1*	235,483	209,433
Other administrative expenses	*16-2*	131,769	115,629
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	*6*	20,490	17,948
GROSS OPERATING INCOME		367,473	380,658
Cost of risk	*17*	-12,279	-97,911
OPERATING INCOME		355,194	282,746
Share of earnings from companies accounted for by the equity method	*18*	4,596	7,838
Net gains or losses on other assets		-12,357	968
+/- Change in value of purchases			
PRE-TAX INCOME		347,434	291,552
Corporate tax	*19*	-15,075	-25,474
NET INCOME		332,359	266,078
Minority interests		-19,554	-19,878
NET INCOME – GROUP SHARE		**312,805**	**246,200**

6.1.3 Net income and gains and losses booked directly as equity at 31 December 2017

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
NET INCOME	**332,359**	**266,078**
Items that will be subsequently recycled to profit or loss:		
Translation differences		
Revaluation of available-for-sale financial assets (net of tax)	-26,399	-19,526
Revaluation of hedging derivatives		
Items in the quota-share of gains and losses directly recognised in equity of share in earnings of equity-accounted companies		
Items that will not be subsequently recycled to profit or loss:		
Actuarial gains and losses on defined benefit liabilities	7,109	1,427
TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY	**-19,289**	**-18,099**
NET INCOME AND GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY	**313,069**	**247,978**
of which Group share	305,256	239,377
of which minority interests	7,813	8,601

6.1.4 Cash flow statement at 31 December 2017

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
PRE-TAX INCOME (A)	**327,880**	**271,674**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	20,490	17,948
Impairment of goodwill and other fixed assets	0	0
Net allocations to provisions (including insurance technical reserves)	53,133	138,741
Share of earnings from companies accounted for by the equity method	-4,596	-7,838
Net gain/(net loss) on investment activities	-18,558	-28,806
Net gain/(net loss) on financing activities	22,659	5,402
Other items[1]	18,914	23,684
TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)	**92,043**	**149,131**
Cash received from credit institutions and equivalent	653,361	-842,047
Cash received from customers	-1,393,652	-2,371,598
Cash flows from other operations affecting other financial assets or liabilities	1,233,828	3,121,303
Cash flows from operations affecting non-financial assets or liabilities	482,844	-394,511
Taxes paid	-14,694	-26,715
= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)	**961,687**	**-513,568**
Net cash flows from operating activities (A+B+C)	1,381,609	-92,763
Cash flows from financial assets and equity stakes	-38,447	-66,548
Cash flows from property, plant and equipment and intangible assets	-9,341	-21,244
Net cash flows from investment activities	-47,789	-87,792
Cash flows from shareholders	8,846	2,407,999
Cash flows to shareholders	-13,903	-41,129
Other net cash flows from financing activities	160,000	-2,671,917
Net cash flows from financing activities	154,943	-305,047
Net increase/(decrease) in cash and cash equivalents	1,488,763	-485,603
Opening balance of cash and cash equivalents	769,479	1,255,081
Net balance of cash accounts and accounts with central banks	173,209	30,448
Net balance of term loans and deposits from credit institutions	596,270	1,224,634
Ending balance of cash and cash equivalents	2,258,242	769,479
Net balance of cash accounts and accounts with central banks	1,016,702	173,209
Net balance of term loans and deposits from credit institutions	1,241,540	596,270
Change in cash and cash equivalents	1,488,763	-485,603

(1) Of which value adjustments to balance sheet items.

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

6.1.5 Statement of changes in shareholders' equity from 1 January 2016 to 31 December 2017

in thousands of euros	Provisions	Funding reserves	Consolidated reserves	Net income	Unrealised or deferred gains or losses	Equity – Group share	Equity – Minority interests	Total consolidated equity
SHAREHOLDERS' EQUITY AT 1 JANUARY 2016 (IFRS STANDARDS)	**400,000**	**460,000**	**1,710,653**	**172,874**	**162,753**	**2,906,279**	**295,420**	**3,201,699**
Share of 2015 earnings retained in reserves			136,871	-136,871		0		0
Dividends paid				-36,002		-36,002	-5,126	-41,129
Other changes	2,407,999		4,195			2,412,194	-6,888	2,405,306
Changes related to put options						0	2,328	2,328
2016 income				246,200		246,200	19,878	266,078
Gains or losses directly recorded in equity for 2016*					-6,823	-6,823	-11,277	-18,100
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016 (IFRS STANDARDS)	**2,807,999**	**460,000**	**1,851,719**	**246,200**	**155,930**	**5,521,848**	**294,334**	**5,816,182**
Impact of changes in accounting policy or error correction (IAS 19R)						0		0
SHAREHOLDERS' EQUITY AT 1 JANUARY 2017 (IFRS STANDARDS)	**2,807,999**	**460,000**	**1,851,719**	**246,200**	**155,930**	**5,521,848**	**294,334**	**5,816,182**
Share of 2016 earnings retained in reserves			218,558	-218,558		0		0
Dividends paid				-27,642		-27,642	-7,415	-35,057
Other changes			-570			-570	-39	-609
Changes related to put options						0	-92	-92
2017 income				312,805		312,805	19,554	332,359
Gains or losses directly recorded in equity for 2017*					-7,549	-7,549	-11,741	-19,290
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017 (IFRS STANDARDS)	**2,807,999**	**460,000**	**2,069,707**	**312,805**	**148,381**	**5,798,892**	**294,602**	**6,093,494**

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

6.1.6 Gains or losses directly recorded in equity for 2017

Gains or losses directly recorded in equity for 2017

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Items that will be subsequently recycled to profit or loss	149,663	164,321
Items that will not be subsequently recycled to profit or loss	-1,282	-8,391
*of which actuarial gains and losses on defined benefit liabilities**	*-1,282*	*-8,391*
TOTAL	**148,381**	**155,930**

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

6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2.1 Significant events of the period

6.2.1.1 Growth of the balance sheet

At 31 December 2017, the total balance sheet stood at €39.7bn, up 5% relative to the previous year. This change mainly stems from the growth in activity, with an increase of 3% in outstanding loans on its own behalf over the period.

6.2.1.2 Financing of the Group's activity

To finance the growth in loan activity on its own behalf, in 2017 AFD made four bond issues in the form of public issues and six private placements, as well as three tap issues, with a total volume of €6.2bn.

6.2.1.3 Supervision of AFD Group

AFD approval changed on 30 June 2017. The European Central Bank (ECB) approved a status change from Bank to Financing company. This change affected neither its EPIC (industrial and commercial public undertaking) status under French law, nor its mission, as the objectives remained the same.

Because of the approval change, on 30 June 2017 AFD ceased to be supervised by the ECB and was placed under the supervision of the French Prudential Supervisory Authority (Autorité de contrôle prudentiel et de résolution or ACPR).

The ACPR began an audit of AFD and Proparco in October 2017. The main aim of this audit is to review credit risk.

6.2.1.4 Disposal of equity stakes in SIDOM

On 28 September 2017, a meeting of AFD's Board of Directors approved the disposal of stakes AFD held on its own behalf in SIDR, SIM, SIGUY and Simar.

The disposal took effect on 31 December 2017 and resulted in the exit of Simar (Société immobilière de la Martinique) from the scope of consolidation. Until that point, it had been an equity-accounted company in AFD Group's consolidated financial statements.

6.2.1.5 Method change for the collective provision allocation

The method was fine-tuned to ensure better consideration and harmonisation of changes to the collective provision allocation models in the group's consolidated financial statements. The adjustment led to a €48.5M reversal of collective provisions.

6.2.2 Accounting standards applied to Agence Française de Développement

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented in accordance with French Accounting Standards Authority (ANC) Recommendation 2013-04 of 7 November 2013 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The IFRS standards include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations published by the IFRS Interpretations committee.

The accounting standards used in the preparation of AFD's financial statements at 31 December 2017 are described in Note 3.2.

These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the financial statements as at 31 December 2017 were supplemented by the provisions of IFRS standards as adopted by the European Union that must be applied for the first time to this financial year. They relate to:

Standards	Date of adoption	Date of application: financial years starting
Amendments to IAS 12 “Recognition of deferred tax assets for unrealised losses”	November 2017	1 January 2017
Amendments to IAS 7 Disclosure initiative	November 2017	1 January 2017

These amendments had no impact on AFD's financial statements at 31 December 2017.

The most important new standards published but not yet applicable to the 2017 financial year are as follows:

Standards, amendments or interpretations	Dates of publication by the European Union	Date of application: financial years starting
IFRS 15 Revenue from contracts with customers	September 2016	1 January 2018
Replacement of IAS 11 Construction Contracts and IAS 18 Revenue	(EU 2016/1905)	
IFRS 9 Financial Instruments	November 2016	1 January 2018
Replacement of IAS 39 – Financial Instruments: recognition and measurement	(EU 2016/2067)	
Amendments to IFRS 9	The date of adoption by the EU has not yet been fixed	1 January 2019
Prepayment features with negative compensation		
IFRS 16 Leases	October 2017	1 January 2019
Replacement of IAS 17 – Leases		

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

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers will apply for annual periods starting 1 January 2018 (in accordance with regulation EU 2016/1905). The “Clarification of IFRS 15” amendment, which provides additional information, comes into force on the same date (in accordance with regulation EU 2017/1987).

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

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

Based on the conclusions of the impact study conducted in 2017, the Group anticipates that implementation of IFRS 15 will not have a material impact on opening equity at 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement

It was adopted by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016. It will be mandatory for annual periods starting 1 January 2018.

The "Prepayment features with negative compensation" amendment, which provides instructions for recognising debt instruments which have clauses of this type, is currently being adopted by the European Union and should come into effect on 1 January 2019, with the option of early application on 1 January 2018.

IFRS 9 sets out new principles for classifying and measuring financial instruments, depreciation of credit risk and hedge accounting, excluding macro-hedges.

The main changes introduced are as follows:

Classification and measurement of financial assets

Financial assets are classified into three categories (amortised cost, fair value through profit and loss and fair value through equity) according to the characteristics of their contractual cash flows and how 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
- the sales only model.

Debt instruments (loans, receivables and securities) will be recognised:

- at amortised cost if the contractual cash flows are made up of payments of principal and interest and if the management model is to hold the instrument in order to collect contractual cash flows;
- at fair value through equity if the contractual cash flows are made up of payments of principal and interest and if the management model is to hold the instrument in order to collect contractual cash flows and sell the assets; When sold, the unrealised gains and losses previously recognised as equity will be recycled as income;
- at fair value through profit or loss if the debt instruments are not eligible for recognition at amortised cost or fair value through equity.

Equity instruments (share-type investments) must, by default, be recognised at fair value through profit or loss. There is also an irrevocable option of recognising them at fair value through non-recyclable equity, provided they are not held for transaction purposes. In the latter case, when the securities are sold, the unrealised gains or losses which were previously recognised as equity will not be recycled as income. Only the dividends will be recognised as income.

As for financial liabilities, the rules for classification and measurements set out in IAS 39 remain unchanged in IFRS 9, with the exception of financial liabilities which the entity chooses to recognise at fair value through profit and loss (fair value through profit and loss option). Variations in value related purely to the credit risk of debts recognised at fair value through profit or loss will be posted as other items of non-recyclable comprehensive income and no longer as profit or loss.

The provisions of the standard covering the de-recognition of financial assets and liabilities remain unchanged in IFRS 9.

Based on the characteristics of the financial assets held by the Group and the management models analysed, the main classifications anticipated at 1 January 2018 break down as follows :

- most of the loans and receivables due from credit institutions and customers are eligible for recognition at amortised cost under IFRS 9, with the exception of those which do not meet the contractual characteristics;
- securities held to maturity remain eligible for recognition at amortised cost;
- available-for-sale financial assets per IAS 39:
  - debt securities will be classified at amortised cost or at fair value through non-recyclable equity, depending on the management model,
  - investments in share-type equity instruments will be classified under the fair value through equity option,
  - shares held in collective investment funds (investment funds, UCITS, etc.), equity stakes with an embedded put option and debt instruments which can be converted into equity (convertible bonds) do not meet the contractual characteristics criteria and will therefore be recognised at fair value through profit or loss.

Impairments

IFRS 9 introduced a new impairment model which requires recognition of Expected Credit Losses (ECL) from investments in debt instruments measured at amortised cost or fair value through recyclable equity, loan commitments and financial guarantee contracts not recognised at fair value, and lease receivables and commercial receivables.

These impairments and provisions will be recognised as soon as the corresponding financial assets enter the balance sheet without waiting for objective evidence of impairment.

The aim of this new ECL approach is to allow credit risk expense to be recognised as and when the credit margin included in interest income is posted to profit or loss.

The concept of credit risk provision, introduced by IFRS 9, provides for classification of the assets into three separate categories (referred to as "stages" in the remainder of the document), according to changes in the underlying credit risk from the time of granting. 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, *i.e.* 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. Interest is calculated on a gross value (thus, the provision charge does not affect the interest margin);
- stage 2: are assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The provision calculation is based on the Expected Loss on maturity of the contract. Interest is calculated on a gross value;
- stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The provision calculation is based on the Expected Loss on maturity of the transaction (with a 100% default probability). Interest is calculated on a net value (in the same way as IAS 39, in the event of impairment).

The significant increase in credit risk can be measured individually or collectively. The Group will examine all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions) without incurring additional work or expense. The impairment model is based on the expected loss, which must reflect the best information available at the year-end, adopting a forward looking approach.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

For assets entering stage 3, application of IFRS 9 has not changed the notion of default the Group currently uses under IAS 39.

According to this standard, if the risk for a particular financial instrument is deemed to be low at year-end (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This can be applied to all debt securities.

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.

Based on the specificities of the AFD Group's portfolio, work was undertaken to define the methodological choices for calculating expected credit losses for all of the Group's assets eligible for recognition at amortised cost or at fair value through equity, in line with stage 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external transition matrices.

The Group validated its financial asset classifications and all the credit risk provision and impairment calculation parameters before 31 December 2017. To ascertain the opening net position for 2018, adjustments to take account of the reclassification of assets and the credit risk impairment and provision amount will be decided in the first half-year 2018, based on data at 1 January 2018.

Hedge accounting

There is little change between IAS 39 and IFRS 9 for hedge accounting (excluding fair value macro-hedging transactions). The IFRS 9 provisions apply to the following:

- all micro-hedging transactions; and
- macro-hedging transactions for cash flow only.

This does not include fair value macro-hedging for interest rate risk which can remain in the IAS 39 scope (option).

While awaiting the forthcoming IFRS 9 supplement specific to macro-hedging, AFD Group will continue to apply the IAS 39 temporary carve-out.

Transition

IFRS 9 is mandatory, and applies retrospectively, from 1 January 2018. There is an option, which the Group has chosen, of not restating the comparative data from previous financial years.

At 1 January 2018, the impacts of application of the new standard (classification and measurements and impairment) will be recognised directly in equity.

IFRS 16 Leases

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

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

An initial impact study on the implementation of IFRS 16 within the Group is currently being finalised.

6.2.3 Principles and methods applied to the financial statements at 31 December 2017

6.2.3.1 Consolidation scope and methods

6.2.3.1.1 Consolidation scope

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

The following are not included in the consolidation scope:

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

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

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

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

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

In thousands of euros	Localisation	% control 2016	% interest 2016	% control 2017	% interest 2017	Balance sheet total(1)	Total net income	Contribution to earnings(2)
						39,099,747		281,946
Soderag	Antilles	100.00	100.00	100.00	100.00	5,271		-37
Proparco	Paris	64.95	64.95	64.95	64.95	5,065,953		36,596
Sogefom – AFD share	Paris	58.69	58.69	58.69	58.69	44,183		-352
Sogefom – Socredo share	Paris		1.31	1.31				
Fisea	Paris	100.00	100.00	100.00	100.00	204,879		-10,016
Propasia	Hong Kong	100.00	64.95	100.00	64.95	8,423		72
Société Immobilière de Nouvelle Calédonie	New Caledonia	50.00	50.00	50.00	50.00	42,900		-169
Société immobilière de la Martinique	Martinique	22.27	22.27			0		0
Banque Socredo	Polynesia	35.00	35.00	35.00	35.00	102,175		4,765
Société Financière Algérienne et Européenne de Participation (Finalep)	Algeria	28.73	28.73	28.73	28.73	11,640	34	
Banque Nationale de Développement Agricole	Mali	22.67	22.67	22.67	22.67	620,987	12,232	
Banque de Développement des Seychelles	Seychelles	20.41	20.41	20.41	20.41	54,638	378	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20.00	20.00	20.00	20.00	22,573	28	
Acon Latin America Opportunities Fund A	Multi-country	20.00	20.00	20.00	20.00	N/D	N/D	
Acon Renewables BV (Hidrotenencias SA)	Panama	24.47	24.47	24.47	24.47	129,048	3,815	
ADOBE MEZZANINE FUND	Multi-country			23.70	23.70	N/D	N/D	
Attijari Bank	Mauritania	20.00	20.00	20.00	20.00	168,284	4,565	
Averroes Finance II	Multi-country	50.00	50.00	50.00	50.00	22,505	-219	
Averroes Finance III	Multi-country	40.00	40.00	40.00	40.00	6,754	-638	
Averroes Finance SAS	Multi-country	34.25	34.25	34.25	34.25	5,960	-511	
BIMR	Djibouti	20.00	20.00	20.00	20.00	505,000	8,800	
Catalyst Fund II	Multi-country	22.50	22.50					
Central Africa Growth Fund	Multi-country	24.47	24.47	24.47	24.47	1,762	-1	
CFE TUNISIE	Tunisia	21.00	21.00	21.00	21.00	6,055	-673	
Ecocem MEA SAS	Multi-country	30.00	30.00	30.00	30.00	N/D	N/D	
Fegace Asia sub fund	Multi-country	20.00	20.00	20.00	20.00	1,829	-150	
IT worx (It holding)	Egypt	23.87	23.87	23.87	23.87	33,503	1,160	
MC II CONCRETE Limited	Multi-country			22.22	22.22	N/D	N/D	
Seaf India Agribusiness International Fund	India	33.36	33.36	33.36	33.36	10,570	-297	
TIBA EDUCATION HOLDING BV	Egypt	100.00	100.00	100.00	100.00	N/D	N/D	
TLG Finance SAS (Alios Finance)	Multi-country	23.00	23.00	23.00	23.00	-2,200	290,900	
TPS (D) Limited	Tanzania	20.50	20.50	20.50	20.50	39,100	-236	
Tunisie Sicar	Tunisia	20.00	20.00	20.00	20.00	947	145	
Unimed	Tunisia	26.00	26.00	26.00	26.00	N/D	N/D	
Upline Technologies	Morocco	20.00	20.00	20.00	20.00	N/D	N/D	
Wadi Holding	Egypt	35.29	35.29	35.29	35.29	-12,495	128,030	
Retiro Participations – Proparco share	Paris	100.00	100.00	100.00	100.00	2	-1	
Chain Hotel Conakry	West Africa	23.17	23.17	23.17	23.17	34,966	-3	
Duet Consumer West Africa Holding	West Africa	20.00	20.00					
Fanisi Venture Capital Fund	Multi-country	22.99	22.99	22.99	22.99	16,776	-705	
Fefisol	Multi-country	20.00	20.00	20.00	20.00	28,780	958	
I&P Développement 2	West Africa	20.97	20.97	20.53	20.53	2,304	-416	
Metier Capital Growth International Fund II	Multi-country	28.91	28.91	28.91	28.91	8,198	-318	
Oxus RDC	Central Africa	23.59	23.59					
Oasis Africa Fund	West Africa			20.59	20.59	N/D	N/D	
GROUP SHARE								**312,805**

(1) The balance sheet total indicated corresponds to the balance sheet total before restatement of intra-group entries
(2) Before elimination of intra-group transactions

- Minority interests:

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

In thousands of euros	31/12/2017 IFRS % of control and vote held by minority interests	31/12/2017 IFRS Share of net income	31/12/2017 IFRS Share of shareholders' equity (of which income)	31/12/2016 IFRS % of control and vote held by minority interests	31/12/2016 IFRS Share of net income	31/12/2016 IFRS Share of shareholders' equity (of which income)
Proparco	35.05%	19,750	286,109	35.05%	19,843	285,606
Other subsidiaries		-196	8,493		35	8,728
TOTAL MINORITY SHARE		**19,554**	**294,602**		**19,878**	**294,334**
TOTAL GROUP SHARE		**312,805**	**5,798,892**		**246,200**	**5,521,847**

- AFD Group has no contractual obligation to provide assistance to structured entities Fisea and Propasia above and beyond the standard obligations arising from its interest in these entities and has no intention of providing support in the future.
- Interests in joint arrangements and associates have a negligible impact on the financial statements of AFD Group.

6.2.3.1.2 Consolidation principles and methods

The following consolidation methods are used:

Full consolidation

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

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

The following five companies are fully consolidated:

- the Société de Promotion et de Participation pour la Coopération Économique (Proparco), created in 1977.

  Proparco's status change from a credit institution to a finance company became effective on 25 May 2016 on receipt of notification from the ECB.

  At 31 December 2017, the company's share capital totalled €693M and AFD's stake was 64.95%;
- the Société de Développement Régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.

  At 31 December 2017, the company's share capital amounted to €5.6M. It is 100% owned by AFD;
- the Société de Gestion des Fonds de Garantie d'Outre-mer (Sogefom), whose shares AFD bought back from the French Overseas reserve banks (IEOM) on 12 August 2003 at the behest of the Ministry of the Economy, Finance and Industry and the Ministry of the French Overseas Departments and Collectivities.

  At 31 December 2017, 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 €190.0M is almost wholly owned by AFD, with Proparco owning one share. It is managed by Proparco;
- TR Propasia LTD, a public limited company created in October 2008, whose corporate purpose is purchasing equity stakes in companies or organisations that promote environmentally-friendly economic and social development in Asia. The company is registered in Hong Kong and has $10M in share capital. It is a wholly-owned subsidiary of Proparco. At 31 December 2017, 52% of its share capital, *i.e.* $5.2M, was fully paid up.

Equity method

Companies over which AFD has significant influence are accounted for by the equity method. Significant influence means the power to participate in the financial and operating policy decisions of the subsidiary but without having control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes, or (iii) material transactions between the companies. At 31 December 2017, this method was used for two companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which significant influence may be proven: La Société immobilière de Nouvelle Calédonie (SIC) and Socredo.

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

Comments on other companies

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

6.2.3.1.3 Restatement of transactions

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

6.2.3.2 Accounting principles and policies

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated financial statements and applicable in line with the Group's principles by entities consolidated by AFD.

The main evaluation and presentation rules used in preparing AFD's financial statements at 31 December 2017 are described below.

6.2.3.2.1 Conversion of foreign currencies

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

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or marked to market. Non-monetary assets denominated in foreign currencies are, in the first case, converted at the exchange rate on the date of the initial transaction or, in the second case, at the rate applicable on the date on which market value was determined. Exchange rate differences relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under "Financial assets at fair value through profit and loss" and in equity if the asset is classified under "Available-for-sale financial assets".

6.2.3.2.2 Use of estimates

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

This is particularly so in the case of:

- individual impairments on outstanding loans;
- collective impairments calculated on the basis of a homogeneous portfolio of counterparties determined by quantitative and qualitative analysis (looking at the macro-economic situation and the estimated residual loss);
- some financial instruments that are valued using complex mathematical models or by discounting future cash flows.

6.2.3.2.3. Financial assets and liabilities

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

Loans and receivables

Loans and receivables are initially booked at market value plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever there is objective evidence that an event has occurred after the grant of the loan having an impact on future projected asset cash flows and, therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of subsequent reversal of the impairment is booked under net banking income.

Asset restructuring

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If, in view of the change in the borrowing terms, the present value of these new expected future flows at the original effective interest rate of the asset is lower than its book value, a discount must be booked to bring the book value back to the new present value.

Financial assets and liabilities at fair value through profit and loss

This heading includes equity stakes in the private equity funds over which the Group has significant influence. They are measured at fair value based on the financial statements (<6 months) transmitted by the entities concerned. The fair value is equal to either a share of the revalued net assets with the possibility of a discount, or the stock market price if the company is listed. This item also includes foreign-exchange or interest-rate derivatives used as financial hedges but that do not meet the definition of hedge accounting given by standard IAS 39. These assets and liabilities are measured at fair value through profit and loss. The change in fair value is recorded in the income statement under "net gains and losses on financial instruments at fair value". The fair value of the foreign-exchange derivatives entered into by AFD frequently includes a hedge of the future margin on loans denominated in foreign currencies. The foreign-exchange income from related assets recognised in income or expenses from other activities partially offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, e.g. the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted cash flows using a zero-coupon curve.

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

Held-to-maturity financial assets

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

These assets are recognised at market value plus transaction costs, then at their amortised cost using the effective interest rate method, which includes amortisation of premiums and discounts and may, if applicable, be subject to impairment when a downgrade in the credit rating of the issuer is likely to jeopardise their redemption at maturity. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

Financial assets available for sale

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

These financial assets are initially measured at their fair value plus transaction costs. The fair value used is the quoted price of the security if traded on an active market or a share of the discounted underlying net assets if no active market exists. Changes in fair value are recorded directly in equity.

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

The existence of a durable impairment target of an available-for-sale financial asset is recognised in case of an unrealised capital loss over three consecutive years or a greater than 50% decline in the stock purchase price.

Pursuant to its procedures, AFD classifies its available-for-sale (AFS) 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 valuated primarily using two methods, the proportionate share of the revaluated net asset which applies to the majority of the AFS and the historic cost for AFD's real estate subsidiaries.

AFS valuations are reviewed every half-year. 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.

Debts

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

Hedging derivatives

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

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

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

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

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

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

6.2.3.2.4 Commitments to buy back minority interests

In 2008, the Group made commitments to buy back the interests of the minority shareholders in Proparco, a fully-consolidated subsidiary. The present value of the commitment, determined on the basis of the estimated value of the share, the likelihood of exercising options and the discounted cash flow, stood at €283.8M on 31 December 2017. The options may be exercised by minority shareholders for a period of five years (until 2018) following a lock-in period of five years, which ended in 2013.

Following the Proparco issue of share capital in June 2014, the Group made further commitments to buy back the interests of the minority shareholders in the amount of €44.5M, bringing the total present value of the commitment to €328.3M at 31 December 2017. The second window for minority shareholders to exercise their options will open in 2019 for a period of five years, *i.e.* 2024.

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

These optional buy-back commitments received the following accounting treatment in 2017:

- in application of IAS 32, the Group recorded a debt for put options awarded to shareholders. This liability of €84.3M was initially booked at the present value of the strike price estimated on the exercise date, classified in "Other liabilities";

- consequently, the corresponding entry for this liability is deducted from "minority interests" in the amount of €83.8M, *i.e.* a proportionate share of Proparco's underlying net assets valued at 31 December 2017, with the remainder deducted from "Consolidated reserves, Group share", *i.e.* -€0.5M;
- if the buyback is carried out, the liability will be settled by cash payment linked to the acquisition of minority interests. However if the buyback has not occurred when the commitment reaches its term, the liability is offset against the minority interests and the Group's consolidated reserves.

6.2.3.2.5 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets. Fixed assets are recorded at their acquisition cost plus directly related expenses.

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

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

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

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

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

As for intangible assets, software is amortised according to 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. On each closing date, fixed assets are valued at their amortised cost (cost minus total amortisation and any loss of value). When applicable, the useful lives and residual values are adjusted in the accounts.

6.2.3.2.5.1 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(1)" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

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 by banking regulations applicable to collective provisions on performing or restructured loans. This lower regulatory limit is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

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

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

Provisions for subsidiary risk

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

Provision for employee benefits – Post-employment benefits

Defined benefit plans

Retirement and early retirement commitments

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

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

The assumptions used for the valuations are as follows:

- discount rate: 0.50%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual increase in salary: 2.00%.

Retirement bonuses and the financing of the health insurance plan

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

(1) *The signature of this agreement precludes the agreement "on recording provisions for sovereign loans granted by AFD on its own behalf" of 30 December 2010 between the State and AFD.*

The assumptions used for the valuations are as follows:

- discount rate: 2.00%;
- annual increase in salary: 2.00%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

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

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

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

Therefore, equalisation provisions on 31 December 2017 :

- amount to €1.9M in the income statement and are recognised as staff costs; they represent the sum of the cost of services rendered plus the interest cost for 2017 less benefits paid by the employer over the period;
- appear on the balance sheet as items that cannot be recycled to profit or loss and amount to a gain of €7.1M arising from the measurement of commitments as at 31 December 2017 and are recognised as equity.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2017 in the amount of €27K.

The aggregate impacts of the post-employment benefits on the 2017 and 2016 reporting years are set out in the table below:

In thousands of euros	At 31/12/2017	Impact on income	Impact on equity	At 31/12/2016	Impact on income	Impact on equity	At 01/01/2016
Provisions for employee benefits	**91,565**	**1,972**	**-7,109**	**96,702**	**4,238**	**-1,427**	**93,891**
- Defined benefit plans	90,601	1,944	-7,109	95,766	4,166	-1,427	93,027
- Other long-term benefits	964	27		936	72		864

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

RETIREMENT AND EARLY RETIREMENT COMMITMENTS

In millions of euros	Retirement	as a % of change
Present value of the commitment at 31/12/2017		
- Discount rate: 0.50%	44.0	
- Annual increase in salary: 2.00%		
- Retirement age: 63 (non-executive level employees)/65 (executive level employees)		
Sensitivity to the discount rate assumption		
Rate change to 0.75%	43.5	-1.1%
Rate change to 0.25%	44.5	1.2%
Sensitivity to the career profile assumption		
Rate change to 2.50%	45.2	2.8%
Rate change to 1.5%	42.8	-2.7%
Sensitivity to the retirement age assumption		
increase of 1 year (for all guarantees)	44.5	1.2%
reduction of 1 year (for all guarantees)	43.0	-2.2%

COMMITMENTS FOR FINANCING THE HEALTH INSURANCE PLAN, END-OF-CAREER PAYMENTS AND SERVICE AWARDS

In millions of euros	Retiree health insurance	as a % of change	Retirement lump sum	as a % of change	Service award	as a % of change
Present value of the commitment at 31/12/2017						
- Discount rate: 2.00%	80.7		15.5		1.0	
- Annual increase in salary: 2.00%						
- Retirement age: 63 (non-executive level employees)/65 (executive level employees)						
Sensitivity to the discount rate assumption						
Rate change to 2.50%	72.6	-10.1%	14.6	-5.7%	0.9	-3.9%
Rate change to 1.50%	90.4	11.9%	16.5	6.2%	1.0	4.2%
Sensitivity to the career profile assumption						
Rate change to 2.50%	80.7	0.0%	16.5	6.4%	1.0	0.0%
Rate change to 1.5%	80.7	0.0%	14.6	-5.9%	1.0	0.0%
Sensitivity to the retirement age assumption						
increase of one year: 64 (non-executive level employees) / 66 (executive level employees)	78.3	-3.1%	15.0	-3.3%	1.0	0.0%
decrease of one year: 62 (non-executive level employees) / 64 (executive level employees)	83.3	3.2%	16.0	3.4%	1.0	0.0%

The changes in commitments over 2017 are shown in the table below:

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment						
Present value of the commitment at 1 January	57,314	84,279	15,453	157,046	936	157,982
Financial cost	288	1,541	272		17	
Cost of services rendered over the year	228	3,766	1,159		110	
Cost of past services		-2,231				
Reductions/Liquidations	0	0	0		0	
Services paid	-10,738	-1,921	-851		-43	
Actuarial gains (losses)	-3,109	-4,701	-543		-58	
Change in scope between AFD and Iedom						
Present value of the commitment at 31/12/2017	**43,983**	**80,733**	**15,490**	**140,206**	**964**	**141,170**
Change in the fair value of retirement plan assets						
Fair value of assets at 1 January	61,280			61,280		61,280
Expected return on assets	306					
Services paid	-10,738					
Actuarial gains (losses)	-1,244					
Liquidations	0					
Change in scope between AFD and Iedom						
Fair value of assets at 31/12/2017	**49,605**			**49,605**		**49,605**
Corridor limits						
Actuarial gains (losses) not recognised at 1 January	0	0	0	0	0	0
Corridor limits at 1 January						
Actuarial gains (losses) generated over the year	1,865	4,701	543	7,109	58	7,167
Actuarial gains (losses) recognised in profit or loss	0	0	0	0	-58	-58
Actuarial gains (losses) N-1 recognised in equity	0	0	0	0	0	0
Actuarial gains (losses) recognised in equity this period	-1,865	-4,701	-543	-7,109	0	-7,109
Actuarial gains (losses) not recognised at 31/12/2017	**0**	**0**	**0**	**0**	**0**	**0**
Amounts recognised on the balance sheet at 31/12/2017						
Present value of the funded commitment	43,983					
Fair value of financed assets	-49,605			-5,622		-5,622
Present value of unfunded commitment		80,733	15,490	96,223	964	97,187
Net position	**-5,622**	**80,733**	**15,490**	**90,601**	**964**	**91,565**
Unrecognised actuarial gains (losses)	0	0	0	0	0	0
Balance sheet provision	**-5,622**	**80,733**	**15,490**	**90,601**	**964**	**91,565**
Amounts recognised on the income statement at 31/12/2017						
Cost of services rendered over the period	228	3,766	1,159	5,154	110	5,264
Cost of past services		-2,231		-2,231		-2,231
Financial cost for the period	288	1,541	272	2,100	17	2,117
Recognised actuarial gains (losses)	0	0	0	0	-58	-58
Expected return on retirement plan assets	-306			-306		-306
Cost of services rendered						
Impact of reductions/liquidations						
Expenses booked	**210**	**3,076**	**1,431**	**4,717**	**70**	**4,787**
Reconciliation of opening and closing net liability						
Liability at 1 January	-3,966	84,279	15,453	95,766	936	96,702
Expenses booked	210	3,076	1,431	4,717	70	4,787
Contributions paid	0			0		0
Employer contributions	0	-1,921	-851	-2,772	-43	-2,815
Items that will not be subsequently recycled to profit or loss	-1,865	-4,701	-543	-7,109	0	-7,109
Net liabilities at 31/12/2017	**-5,622**	**80,733**	**15,490**	**90,601**	**964**	**91,565**
Change in net liabilities	**-1,656**	**-3,546**	**37**	**-5,165**	**27**	**-5,137**

Projected commitments at 31 December 2018 are as follows:

Actuarial debt at 31/12/2017	43,983	80,733	15,490	140,206	964	141,170
Cost of services rendered in 2018	198	3,764	1,240	5,201	129	5,331
Financial cost in 2018	221	1,690	315	2,226	21	2,247
Services payable in 2018/transfer of capital upon departures in 2018	-9,661	-1,838	-1,113	-12,613	-80	-12,693
Estimated debt at 31/12/2018	**34,740**	**84,349**	**15,932**	**135,020**	**1,034**	**136,054**

6.2.3.2.5.2 Impairments of loans and receivables

Impairments of loans and receivables are recognised when there is clear evidence that a loan or receivable, or a portfolio of loans, has been impaired.

Individual impairments

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

Collective impairments

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

AFD writes down "homogeneous portfolios" whose amounts and any changes are determined based on qualitative and quantitative analyses (see paragraph 3.2.2 "Use of estimates"). At 31 December 2017, the portfolio is presented with a segmentation based on three sectors: public goods and services, financial sector and private goods and services.

The Proparco portfolio is presented with a segmentation based on three sectors: public goods, financial sector and business, industry and trade. Residual outstandings were written down based on estimated residual loss for asset classes determined by borrower type and country category.

Furthermore, a provision for liabilities was also recognised by AFD due to the economic crisis and political events in Côte d'Ivoire. This provision stood at €2.7M at 31 December 2017 compared to €2.3M at the end of 2016, *i.e.* a provision allocation of €0.5M for 2017.

Collective provision allocations for performing non-sovereign loans in foreign countries impacted positively on the cost of risk in the amount of €48.0M. The reversal amount takes account of the refining of the sub-participation loan portfolio in 2017. At 31 December 2017, total collective impairments stood at €365.9M and the loan loss reserve ratio for these outstandings was 5% overall, unchanged from 31 December 2016.

6.2.3.2.5.3 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 n°1 of 19 March 2015 and n°2 of 24 May 2016, on the initiative of the French State and 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 €120.0M is planned for September 2018, thereby reaching the €840.0M total for the period 2015-2018.

At 31 December 2017, the balance was thus €720.0M instead of the €840.0M initially planned by 2017.

6.2.3.2.5.4 Deferred taxes

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

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

6.2.3.2.5.6 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 2013-04 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with net income restated for non-monetary items: provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets, net allocations to provisions and other transfers not involving cash disbursement, such as accrued liabilities and income.

Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the annual accounts for the preceding and current financial years.

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

6.2.4 Notes to the Balance Sheet

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

	31/12/2017 IFRS			31/12/2016 IFRS		
In thousands of euros	Assets	Liabilities	Notional/ Outstanding	Assets	Liabilities	Notional/ Outstanding
Interest rate derivatives	3,003	15,024	753,071	6,146	19,373	842,669
Foreign exchange derivatives	143,622	245,975	4,775,646	104,238	607,618	4,566,751
Assets/liabilities designated at fair value through P&L	24,567	0	25,000	24,647	0	25,000
Securities at fair value through P&L	8,676	0	6,890	11,248	0	8,088
CVA/DVA	226	5,207	0	697	11,523	0
TOTAL	**180,095**	**266,205**		**146,976**	**638,514**	

Note 2 Financial hedging derivatives

	31/12/2017 IFRS			31/12/2016 IFRS		
In thousands of euros	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1,123,766	600,522	31,067,196	1,439,698	682,956	26,608,090
Interest rate and foreign exchange derivatives (cross-currency swaps)	556,022	456,750	9,337,552	950,684	824,748	10,637,664
TOTAL	**1,679,788**	**1,057,272**		**2,390,382**	**1,507,704**	

Note 3 Financial investments

In thousands of euros	*Notes*	31/12/2017	31/12/2016 IFRS
Financial assets available for sale			
Government paper and equivalent		1,144,730	801,709
Bonds and other fixed-income securities		75,045	34,877
Equity stakes in related businesses			
Equity stakes and other long-term securities	*3.1*	1,796,228	1,180,762
of which UCITS		*549,479*	*48,701*
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		**3,016,003**	**2,017,348**
Held-to-maturity financial assets			
Government paper and equivalent		678,973	694,252
Bonds and other fixed-income securities		99,209	106,149
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS		**778,182**	**800,402**
TOTAL FINANCIAL INVESTMENTS		**3,794,185**	**2,817,750**

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

The funds in which AFD invests have varying characteristics: they may cover a single country or a larger region, they may be multi-sector or single-sector, or may be dedicated to private equity, leveraged buyouts or growth capital.

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

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

Note 3.1 Equity stakes and other long-term investments

In thousands of euros	*Notes*	31/12/2017	Financial assets available for sale	Available-for-sale financial assets	31/12/2016 IFRS	Financial assets available for sale	Available-for-sale financial assets
Equity stakes and other long-term securities							
UCITS		549,479	549,479		48,701	48,701	
Equity stakes		1,255,425	1,246,749	8,676	1,143,308	1,132,061	11,248
Direct investments		499,910	499,910	0	480,093	480,093	0
Investment funds	3.2/3.3	755,515	746,839	8,676	663,216	651,968	11,248
NET TOTAL EQUITY STAKES AND OTHER LONG-TERM INVESTMENTS		**1,804,905**	**1,796,228**	**8,676**	**1,192,009**	**1,180,762**	**11,248**
Of which impairment		-73,383	-73,383		-62,124	-62,124	
NET TOTAL EQUITY STAKES AND OTHER LONG-TERM INVESTMENTS GROSS OF IMPAIRMENTS		**1,878,288**	**1,869,612**	**8,676**	**1,254,133**	**1,242,885**	**11,248**

Note 3.2 Investments in unconsolidated structured entities

- Breakdown by activity portfolio:

Equity stakes held in investment funds *In thousands of euros*	*Notes*	Number of equity stakes	31/12/2017 IFRS	Number of equity stakes	31/12/2016 IFRS
Homogeneous activity portfolios					
Agribusiness		8	60,349	8	70,116
Energy		5	37,064	4	30,680
Infrastructure		6	63,440	4	41,007
Mining		3	2,558	3	4,123
Multi-sector SME-SMI		12	75,667	12	85,806
Healthcare		4	35,727	4	41,510
Financial services		22	169,855	14	97,379
Multi-sector		63	310,853	57	292,595
STRUCTURED UNCONSOLIDATED ENTITIES	*3.3*	**123**	**755,515**	**106**	**663,216**

- Breakdown by operating region:

Equity stakes held in investment funds *In thousands of euros*	*Notes*	Number of equity stakes	31/12/2017 IFRS	Number of equity stakes	31/12/2016 IFRS
Operating region					
Southern Africa		6	7,128	6	9,489
East Africa		10	64,525	5	27,141
West Africa		6	21,011	5	14,591
North Africa		21	107,273	21	119,211
Asia		18	88,017	16	88,099
Multi-region		62	467,562	53	404,685
STRUCTURED UNCONSOLIDATED ENTITIES	*3.3*	**123**	**755,515**	**106**	**663,216**

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

		31/12/2017 IFRS				31/12/2016 IFRS			
In thousands of euros	*Notes*	Financial assets available for sale	Available-for-sale financial assets	Maximum exposure	Dividends received over the year	Financial assets available for sale	Available-for-sale financial assets	Maximum exposure	Dividends received over the year
Homogeneous portfolios									
Agribusiness		60,349	-	60,349		70,116	-	70,116	
Energy		37,064	-	37,064		30,680	-	30,680	
Infrastructure		63,440	-	63,440		41,007	-	41,007	
Mining		2,543	15	2,558		4,106	17	4,123	
Multi-sector SME-SMI		75,667	-	75,667		85,806	-	85,806	
Healthcare		35,727	-	35,727		41,510	-	41,510	
Financial services		169,800	56	169,855		97,177	202	97,379	
Multi-sector		302,248	8,605	310,853	-	281,566	11,029	292,595	12,308
STRUCTURED UNCONSOLIDATED ENTITIES – INVESTMENT FUNDS	***3.1/3.2***	**746,839**	**8,676**	**755,515**	**0**	**651,968**	**11,248**	**663,216**	**12,308**
Classification of unconsolidated investment funds in the balance sheet									
Under Available-for-sale financial assets	*3.1*	746,839				651,968			
Other items		2,269,164				1,365,380			
BALANCE SHEET TOTAL – AVAILABLE-FOR-SALE FINANCIAL ASSETS	***3***	**3,016,003**				**2,017,348**			
Under Financial assets at fair value through profit and loss	*3.1*		8,676				11,248		
Other items			171,419				135,728		
BALANCE SHEET TOTAL – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	***1***		**180,095**				**146,976**		

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

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

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

Note 4 Receivables due from credit institutions and customers

	31/12/2017 IFRS		31/12/2016 IFRS	
In thousands of euros	Demand	Term	Demand	Term
Loans to credit institutions		5,019,760		5,294,154
Performing loans		4,950,190		5,233,367
Doubtful outstandings		69,569		60,787
Impairments		**-123,467**		**-109,127**
Impairment of individual receivables		-46,749		-17,988
Impairment of groups of homogeneous assets		-76,718		-91,139
Related receivables		**28,852**		**33,156**
Valuation adjustments of loans hedged by forward financial instruments		**13,279**		**-9,762**
SUBTOTAL		4,938,423		5,208,421
Loans to customers		**25,724,551**		**24,305,368**
Performing loans		25,032,861		23,633,622
Doubtful outstandings		691,690		671,746
Impairments		**-702,105**		**-725,000**
Impairment of individual receivables		-412,850		-402,163
Impairment of groups of homogeneous assets		-289,256		-322,836
Related receivables		78,779		83,449
Valuation adjustments of loans hedged by forward financial instruments		**336,285**		**556,070**
SUBTOTAL		25,437,510		24,219,887
TOTAL LOANS		30,375,933		29,428,308
Other receivables				
Deposits (available cash) at credit institutions	1,260,143	414,197	602,068	1,023,709
Related receivables	0	875	0	-20
TOTAL OTHER RECEIVABLES	1,260,143	415,072	602,068	1,023,689
TOTAL LOANS AND OTHER RECEIVABLES	1,260,143	30,791,005	602,068	30,451,997

Note 5 Accruals and miscellaneous assets

	31/12/2017 IFRS		31/12/2016 IFRS	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Allocated public funds		69,776		74,384
Other assets and liabilities	599,442	1,658,042	751,497	1,322,722
Accounts payable, French State		83,922		205,471
TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/LIABILITIES	599,442	1,811,741	751,497	1,602,578

Note 6 Property, plant and equipment and intangible assets

	Fixed assets					
	Property, plant and equipment			Intangible	Total IFRS	Total IFRS
In thousands of euros	Land & development	Buildings & development	Other		31/12/2017	31/12/2016
Gross value						
At 1 January 2017	88,568	203,083	52,771	72,174	416,595	400,305
Purchases	18	7,493	7,048	13,278	27,837	20,648
Disposals/retirements	0	-78	-2,082	-7,108	-9,268	-7,408
Other items	4	8	-13	1	0	3,050
Change in scope						
At 31 December 2017	88,589	210,506	57,724	78,346	435,165	416,595
Depreciation/amortisation						
At 1 January 2017	2,576	110,250	39,287	45,559	197,671	184,111
Provisions	188	7,986	4,367	7,950	20,490	17,948
Reversals			-1		-1	
Other items	0	-51	-1,972	-6,985	-9,008	-4,388
Change in scope						
At 31 December 2017	2,763	118,185	41,681	46,524	209,153	197,671
Impairments						
At 1 January 2017	0	0	0	0	0	0
Provisions						
Reversals					0	0
At 31 December 2017	0	0	0	0	0	0
NET VALUE	**85,825**	**92,322**	**16,043**	**31,822**	**226,012**	**218,924**

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

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Debts to credit institutions		
Demand debts	16,416	3,861
Term debts	540	540
Related debts	104	105
TOTAL DEBTS TO CREDIT INSTITUTIONS	**17,060**	**4,506**
Debts to customers		
Accounts payable, customers	2,187	1,937
Related debts		
TOTAL DEBTS TO CUSTOMERS	**2,187**	**1,937**
Debt securities in issue		
Interbank market securities	679,787	
Bonds	27,080,393	25,317,670
Related debts	315,309	312,351
Valuation adjustments of debt securities in issue hedged by derivatives	818,369	1,179,420
TOTAL DEBT SECURITIES IN ISSUE	**28,893,858**	**26,809,441**
Subordinated debt		
Subordinated loans from the French Treasury	720,000	560,000
Other subordinated debts		
Related debts	5	4
Valuation adjustments of debt securities in issue hedged by derivatives		
TOTAL SUBORDINATED DEBTS	**720,005**	**560,004**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2017 IFRS
Maturity of debt securities in issue					
Bonds	2,199,148	1,119,568	11,236,807	13,658,547	28,214,071
Interbank market securities	100,045	579,742	0	0	679,787
TOTAL	**2,299,194**	**1,699,309**	**11,236,807**	**13,658,547**	**28,893,858**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2016 IFRS
Maturity of debt securities in issue					
Bonds	1,845,994	1,233,091	10,830,892	12,899,464	26,809,441
Interbank market securities					0
TOTAL	**1,845,994**	**1,233,091**	**10,830,892**	**12,899,464**	**26,809,441**

In thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	31/12/2017 IFRS
Debt securities in issue							
Bonds	21,919,413	5,776,248	0	107,386	345,157	65,867	28,214,071
Interbank market securities	679,787						679,787
TOTAL	**22,599,200**	**5,776,248**	**0**	**107,386**	**345,157**	**65,867**	**28,893,858**

In thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	31/12/2016 IFRS
Debt securities in issue							
Bonds	20,533,461	5,388,679	293,027	183,564	376,137	34,574	26,809,441
Interbank market securities							0
TOTAL	**20,533,461**	**5,388,679**	**293,027**	**183,564**	**376,137**	**34,574**	**26,809,441**

Note 8 Financial assets and liabilities measured at amortised cost

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

	31/12/2017 IFRS					31/12/2016 IFRS				
In thousands of euros	Book value	Fair value	Level 1	Level 2	Level 3	Book value	Fair value	Level 1	Level 2	Level 3
Assets/Liabilities										
Loans and receivables	32,051,148	32,965,793			32,965,793	31,054,065	32,152,457			32,152,457
Held-to-maturity investments	778,182	848,322	848,322			800,402	883,602	883,602		
Financial liabilities valued at amortised cost	29,633,110	31,343,439	29,241,176	1,936,016	166,247	27,375,888	27,658,216	25,624,343	1,844,820	189,052

Note 9 Financial assets and liabilities measured at fair value

	31/12/2017 IFRS				31/12/2016 IFRS			
In thousands of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Financial assets at fair value through profit and loss		172,946	7,149	180,095		142,202	4,774	146,976
Hedging derivatives (Assets)		1,679,788		1,679,788		2,390,382		2,390,382
Financial assets available for sale	1,802,537	0	1,213,466	3,016,003	902,759	0	1,114,589	2,017,348
Financial liabilities at fair value through profit and loss		265,334	872	266,205		636,601	1,912	638,514
Hedging derivatives (Liabilities)		1,057,272		1,057,272		1,507,704		1,507,704

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

Note 9.1 Financial assets and liabilities measured at fair value according to level

			Financial assets available for sale				
In thousands of euros	Total Assets	Total Liabilities	Bonds and other fixed-income securities	Variable income securities	Financial assets available for sale	Derivatives – assets	Derivatives – liabilities
OPENING BALANCE (01/01/2017)	**1,119,362**	**1,912**	**34,877**	**1,079,711**	**1,114,589**	**4,774**	**1,912**
Gains/losses over the period	-127,579	-682	-6,413	-122,121	- 128,534	955	- 682
Purchases over the period	228,942	490	-	227,415	227,415	1,526	490
Disposals in the period	-4	-	-	-4	- 4		
Issues in the period	-	-			-		
Winding up in the period	-106	-174			-	- 106	- 174
Restatements in the period	-	-675			-		- 675
Changes linked to the scope for the period	-	-			-		
Transfers	-	-	-	-	-	-	-
CLOSING BALANCE (31/12/2017)	**1,220,615**	**872**	**28,464**	**1,185,002**	**1,213,466**	**7,149**	**872**

* *The transfers to and from level 3 relate to 4 securities for which the valuation method was reviewed or whose classification was adjusted to take account of parameters which are not directly observable.*

Sensitivity of the fair value of level 3 instruments

The category of instruments measured at level 3 fair value comprises mainly available-for-sale securities.

The sensitivity calculations do not apply because their valuations are not linked to market parameters.

Note 10 Provisions and impairments

PROVISIONS

In thousands of euros	31/12/2016	Provisions	Reversals available	Translation adjustment	31/12/2017
Included in the cost of risk					
French Overseas department subsidiary risks	25,957	132	623	0	25,466
Other provisions for risk	48,339	6,768	9,934	0	45,173
SUBTOTAL	74,296	6,900	10,557	0	70,639
Excluded from the cost of risk	0				
Provision for expenses – Sovereign loans	621,561	59,264	104	2	680,724
Staff costs	99,164	2,544	8,109	0	93,600
Provision for risks and expenses	6,322	1,249	3,323	0	4,248
TOTAL	**801,344**	**69,957**	**22,092**	**2**	**849,211**

ASSET IMPAIRMENT

In thousands of euros	31/12/2016	Provisions	Reversals available	Translation adjustment	31/12/2017
Banks	17,989	35,927	5,449	-1,719	46,749
Credit to customers	402,161	81,005	59,102	-11,215	412,850
Of which Cost of risk		*108,106*	*55,465*		
Other receivables	10,893	0	0	-49	10,844
Group of homogeneous assets	413,975	29,669	77,669	-1	365,974
Of which Cost of risk		*29,669*	*77,669*		
Available-for-sale financial assets		0	0	0	
TOTAL	**845,019**	**146,602**	**142,220**	**-12,983**	**836,416**

Note 11 Statement of changes in equity

Changes in equity are presented in the financial statements, in Chapter 6.1.5 Statement of changes in shareholders' equity from 1 January 2016 to 31 December 2017.

6.2.5 Notes to the Income Statement

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Note 12 Income, expenses and commissions

Note 12.1 Income and expenses by accounting category

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Interest income	1,358,718	1,418,333
Cash and demand accounts with central banks	550	3,376
Financial assets available for sale	21,136	24,719
Loans and receivables	556,444	845,523
Held-to-maturity investments	226,488	3,198
Derivatives	554,099	541,517
Interest expenses	1,005,923	1,106,637
Central bank deposits		
Financial liabilities valued at amortised cost	326,457	464,341
Derivatives	679,466	642,296
Dividend income (on available-for-sale assets)	10,650	15,436
Fee and commission income	87,748	78,817
Fee and commission expenses	1,830	3,402
Net profit (loss) on financial assets and liabilities not measured at fair value through profit and loss	16,924	26,408
Available-for-sale financial assets (net income on disposal)	16,924	26,408
Net profit (loss) on financial assets and liabilities measured at fair value through profit and loss	46,536	13,834
Net profit (loss) resulting from hedge accounting	35,898	74,284
Translation adjustment	-4,690	4,921
Net profit (loss) on retirement of assets not available for sale	-12,357	968
Cost of risk	-12,279	-97,911
Other operating income	239,638	217,646
Other operating expenses	28,453	15,971
TOTAL FINANCIAL AND OPERATING INCOME AND EXPENSES	730,580	626,724
Administrative expenses	367,252	325,062
Depreciation/amortisation	20,490	17,948
Share of earnings from companies accounted for by the equity method	4,596	7,838
PRE-TAX INCOME	**347,434**	**291,552**

Note 12.2 Net commissions

	31/12/2017			31/12/2016		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	15		15	768		768
Monitoring and investment commissions	51,264	-1,238	50,026	16,185	-2,312	13,873
Analysis commissions	16,765		16,765	14,364		14,364
Commissions on gifts and subsidies	13,329		13,329	46,177		46,177
Miscellaneous commissions	6,376	-592	5,784	1,324	-1,089	234
TOTAL	**87,748**	**-1,830**	**85,919**	**78,817**	**-3,402**	**75,415**

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

In thousands of euros	31/12/2017 IFRS			31/12/2016 IFRS		
	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency	Gains and losses on financial instruments at fair value through profit and loss	Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss net of foreign currency
Financial assets and liabilities at fair value through profit and loss	10,258	-6,376	3,881	-5,030	7,983	2,952
Instruments at fair value on option	-1,379		-1,379	-3,735		-3,735
Income resulting from hedge accounting	34,823	1,075	35,898	72,226	2,058	74,284
- Change in FV hedge	*-169,155*		*-169,155*	*-101,068*		*-101,068*
- Change in hedged item	*203,978*	*1,075*	*205,053*	*173,294*	*2,058*	*175,353*
Natural hedging	385,689	-347,500	38,189	-106,862	123,725	16,864
CVA/DVA	5,845		5,845	-2,247		-2,247
TOTAL	**435,235**	**-352,801**	**82,434**	**-45,648**	**133,766**	**88,118**

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

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Income on securities	15,803	15,436
Capital gains on disposals	31,683	42,786
Capital losses on disposals	-4,906	-3,529
Provisions for depreciation/amortisation	-15,570	-14,713
Reversal of provisions for depreciation/amortisation	5,718	5,133
TOTAL	**32,727**	**45,112**

Note 15 Income from other activities

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Subsidies	206,492	214,921
Other income	23,303	4,378
TOTAL	**229,794**	**219,298**

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

Note 16 Overheads

Note 16.1 Staff costs

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Staff costs		
Wages and bonuses	156,751	139,543
Social security expenses	64,579	58,554
Profit sharing	10,490	7,204
Taxes and similar payments on remuneration	15,435	13,248
Provisions/reversal of provisions	1,544	4,528
Rebilling banks' staff	-13,317	-13,644
TOTAL	**235,483**	**209,433**

Note 16.2 Other administrative expenses

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Other administrative expenses		
Taxes	2,060	3,373
of which contribution to FRU	1	619
of which application of IFRIC 21	-199	-185
Outside services	130,653	113,644
Provisions/reversal of provisions		-7
Rebilled expenses	-944	-1,381
TOTAL	**131,769**	**115,629**

Note 17 Cost of risk

	31/12/2017 IFRS			31/12/2016 IFRS		
In thousands of euros	Provisions	Reversals	Total	Provisions	Reversals	Total
Collective provisions and impairment	36,569	88,226	51,658	88,534	45,641	-42,893
Individual impairments of non-sovereign loans	108,106	55,465	-52,641	74,730	22,802	-51,928
Losses on principal of bad loans	11,300	5	-11,295	3,118	27	-3,091
TOTAL	**155,975**	**143,696**	**-12,279**	**166,382**	**68,470**	**-97,911**

Note 18 Equity-accounted companies

In thousands of euros	31/12/2017 IFRS		31/12/2016 IFRS	
Impact	Balance sheet	Income	Balance sheet	Income
SIC	43,555	-169	43,624	567
Simar	0	0	22,599	2,466
Socredo	102,601	4,765	99,759	4,805
TOTAL	**146,156**	**4,596**	**165,982**	**7,838**

Note 19 Corporate income tax

Only income from property, profits from representing mainland credit institutions in the French Overseas Collectivities, AFD's refinancing activity involving its Proparco subsidiary, and the shareholding of its Proparco subsidiary are subject to corporate income tax at AFD.

Proparco is subject to the standard tax regime. Corporate income tax applies only to a portion of Soderag's activity.

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Corporate tax	-15,075	-25,474
Taxes due	-14,811	-26,706
Deferred tax	-264	1,232

UNDERLYING TAX POSITION

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Net income	332,359	266,078
Corporate tax	-15,075	-25,474
Pre-tax income	347,434	291,552
Total theoretical tax expense 34.43% (A)	-68,834	-74,340
Total matching items (B)	53,760	48,866
Net recorded tax expense (A) + (B)	-15,075	-25,474

6.2.6 Risk Information

The role of the Executive Risk Department (DXR) is to analyse, inform and advise executive officers (General Management) on the risks to which the Group companies are exposed. It is involved in the implementation of risk policies and procedures and systems to measure, control, analyse and monitor these risks. It ensures that the Group's activities, and the inherent risks, are in line with the risk management objectives, company policy and regulatory requirements.

This department combines:

- the Second Opinion unit, which provides a second opinion on projects which are being appraised, in accordance with Article 112 of the Order of 3 November 2014;
- the Permanent Control and Compliance Department (CPC);
- the Group Risk Management Department (DRG).

6.2.6.1 Credit risk

Risk measurement and monitoring

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

Operating as part of the DRG, the **Credit Risk Evaluation division** (DRC) is responsible for:

- validating the credit risk due diligence carried out by the DOE, rating non-sovereign counterparties, determining the reporting groups and assessing the financial structure of the operations during the project appraisal cycle;
- implementing the follow-up right beyond the bodies, when this right is requested by the Second Opinion unit, and reviewing the updated credit risk before agreements are signed and in the event of requests for temporary special dispensations or riders to the agreements;
- half-yearly reviews of AFD's non-sovereign credit risks and appraising the impairments;
- developing tools, methods and training materials to evaluate credit risks, mainly for use by the operating departments.

The Risk Monitoring Division (DSR):

- monitors credit risk, mainly by ensuring the Risk Measurement Forms (RMF) are updated each half-year and keeping track of the limits;
- monitors borrowers on the watchlist, impairments and provisions and application of the recovery and penalty procedures;
- monitors the risk of the companies of AFD Group;
- compiles the Group's risk projections (portfolio, risk level, stress-tests);
- conducts loss ratio studies for the purpose of analysis, collective provision allocation and determining the risk margins;
- has the secretariat role for the Group Risk Committee (CORIS);
- reports to the executive officers on discussions about the risk situation, in collaboration with the other units responsible for monitoring Group risks;
- develops risk management methods, tools and training materials.

The Economic Evaluation and Public Policy department (ECO), which reports to the Innovation, Research and Knowledge department (IRS), measures country risks (growth, stability of the financial system, public finances, the balance of payments, sociopolitical situation) and the credit risks of sovereign counterparties in the regions in which the Group operates (analysis of the structure and level of public debt, budget implementation, payment history and structural solvency indicators, etc.).

Every six months, the Country and Sovereign Risks Committee (CORIS Pays) examines changes in the international financial and economic climate and in macroeconomic risks in the countries in which AFD operates and the credit risks reported by AMR agents. It validates the classification of country risk and sovereign risk.

Each quarter, **the Counterparty Risk Committee** (CORIS Contreparties) examines the Group's exposure in terms of the system of operational and regulatory thresholds, the Group's major sovereign and non-sovereign risks, the borrowers on the watchlist, application of the recovery and penalty procedures, the quality of the portfolios, the impairments/provisions and cost of risk and the activity of the subsidiaries.

The CORIS committees are chaired by the Executive Risk Director and their permanent members include General Management, the Executive Operations Director, the General Secretary, the Risk Management Manager at Proparco, the Director of DRG and the head of the Second Opinion unit.

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

The Group Risk Committee meets once a quarter after the CORIS Contreparties meeting. Its role is to conduct a regular review of the strategies, policies, procedures, systems, tools, risk positions, particularly credit risk, and thresholds, to notify the Board of Directors of its conclusions and to advise the latter on the Group's global risk strategy.

System of operational limits

The system of operational limits applies to the loans (outstandings and balances payable) which are not guaranteed by the French government, the guarantees granted and the equity stakes excluding market transactions and products which are backed by subsidies from the French government (e.g. micro-finance facility or Ariz Prime). It combines the exposures of AFD, Proparco and Fisea and weighs them according to instrument type and counterparty rating.

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

- sovereign loans issued to, or guaranteed by, a foreign country. This type of loan may be eligible for debt restructuring as decided by the Paris Club;

- non-sovereign loans granted to financial institutions or private or public companies with no guarantee from a foreign country. This aid is theoretically ineligible for the Paris Club's initiatives.

To take account of potential fluctuations of the Group's capital in the course of the year, a prescriptive benchmark consolidated equity (the "benchmark equity") is used to calculate the limits. It was set at €5,600M for 2017.

The system has three different limits:

Regional limits

The regional ceiling for weighted non-sovereign risks (foreign country, Polynesia and New Caledonia) is 30% of the Group's consolidated benchmark equity (€1,680 M).

In addition, a regional ceiling (weighted sovereign and non-sovereign risks) of 15% of total weighted risk (€7,044 M) has been set for foreign countries to ensure they diversify their portfolios;

Sector limit

The overall limit for credit institutions is 50% of the total weighted non-sovereign risks for foreign countries, *i.e.* €11,910M at 31 December 2017;

Counterparty limits

The limit for weighted risk per non-sovereign counterparty is 10% of capital (€560 M). This limit applies to all counterparties or groups of counterparties registered in foreign countries and French Overseas Departments and Collectivities. A limit of 20% of capital applies to exposures (including market transactions) to banking groups whose registered office is located in mainland France.

The exposure limit for sovereign (non-weighted) counterparties is 25% of capital (€1,400M in 2017).

Monitoring the risks of sovereign counterparties

The French government covers arrears and loan write-offs in the sovereign activity through its reserve account which, at the end of 2017, had a balance of €681M, *i.e.* 4.7% of sovereign outstandings (latest agreement signed on 8 June 2015).

There is a special automatic penalty system for sovereign loans:

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

The official bilateral creditors who are members of the Paris Club submit their arrears on their sovereign debt for review at the monthly review meetings known as the Tour d'horizon. AFD takes part in these meetings under the guise of the French Ministry of Finance. Where applicable, the Paris Club can grant debtor countries restructuring arrangements or write off their debt. The restructuring arrangements may affect AFD debts. The financial impact of these arrangements on AFD is absorbed by the French Treasury.

In the event of arrears of over 18 months on a sovereign debt, the third party in question is downgraded to doubtful and the sum is taken from the Treasury's reserve account. In 2017, this applied to the outstanding balance (€1.37 M) of the Yemeni government, which has not paid any instalments since December 2015 and had arrears of €0.11M at 31 December 2017.

Monitoring the risks of non-sovereign counterparties

Third parties with arrears of over 90 days (180 days for local authorities) or an established credit risk (CCC credit rating) are downgraded to "doubtful" and individual impairments of the corresponding financing are estimated, taking account of the associated guarantees.

Third party ratings are updated independently of the six month review cycles in the event of a new appraisal, the signature of a new loan agreement[(1)] or a major event which affects the quality of the borrower. Downgradings to doubtful, regradings to performing and the recoverability rates of doubtful loans are reviewed each quarter by the Counterparty Risk Committee (CORIS Contreparties) before closure of the financial statements.

In line with IFRS standards, AFD Group also sets aside **collective provisions** for Ariz loan outstandings and guarantees in foreign countries. Provisions are based on the estimated residual loss at maturity, which takes into account the credit rating (including country risk), the counterparty type and the average term remaining on the loans. If need be, it is supplemented by an expert geographical and/or sectoral estimate.

Borrowers with a high credit risk, because of their size or likelihood of default (especially all doubtful third parties), are included on a watchlist and monitored particularly closely. The watchlist is updated each quarter by DRG and sent to the Counterparty Risk Committee (CORIS) which reviews the current situation of all cases, decides which counterparties should be added to, or removed from, the list and can authorise dispensation from the recovery procedures.

This system also assists with decision-making when determining **individual impairments** of loans. Counterparties for whom the rating system indicates significant risks are downgraded to doubtful loans and their outstandings are subject to partial or total impairments at a rate set by the Group Risk Committee. Impaired receivables also include those loans classified as doubtful under banking regulations (arrears of more than three, six or nine months, depending on the nature of the debt).

In total, the gross value of consolidated outstandings exposing the Group to risk amounted to €30.2bn in 2017 (versus €29.2bn in 2016), including €24.9bn in foreign countries and €5.2bn in the French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€26.3bn, *i.e.* 87% of outstandings).

AFD Group's doubtful outstandings totalled €762M at 31 December 2017 (versus €732M in 2016), including €144M in doubtful sovereign and €617M in doubtful non-sovereign outstandings.

Doubtful non-sovereign outstandings are covered by impairments and provisions in the amount of €380M, equal to a coverage ratio of 62%.

(1) A rating is valid for 18 months from the date of approval of the certified accounts used to determine the rating.

BREAKDOWN OF UNIMPAIRED LOANS BY RATING (EXCLUDING LOANS REIMBURSED AND GUARANTEED BY THE STATE)

In millions of euros	31/12/2017 IFRS	31/12/2016 IFRS
Sovereign loans	**14,598**	**13,187**
Non-sovereign loans	**14,395**	**14,605**
Rated A (very good risk)	1,138	1,293
Rated B (good to average risk)	6,233	6,660
Rated C+ (passable risk)	4,994	4,688
Rated C- (significant risk)	2,002	1,935
Not rated	27	29

Risks involved:

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

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

MAXIMUM EXPOSURE TO CREDIT RISK

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

In thousands of euros	31/12/2017 IFRS Book value	31/12/2016 IFRS Book value
Financial assets at fair value through profit and loss	180,095	146,976
Hedging derivatives	1,679,788	2,390,382
Financial assets available for sale	3,016,003	2,017,348
Loans and receivables	32,051,148	31,054,065
Held-to-maturity financial assets	778,182	800,402
Other financial assets		
Firm lending commitments	11,989,375	10,656,145
Financial guarantees	584,957	528,360
TOTAL	**50,279,548**	**47,593,677**

AGE OF ARREARS

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

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Less than 90 days	63,629	52,631
More than 90 days and less than 180 days	189	2,757
More than 180 days and less than one year	6,876	11,443
More than 1 year	344,047	292,656

6.2.6.2 Liquidity risk

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

AFD has a Euro Medium Term Notes (EMTN) programme for not more than €40.0bn enabling it to complete financing transactions with fewer financial disclosure requirements.

Short-term liquidity risk prevention relies on a programme of short term Negotiable European Commercial Papers ("NEU CPs") amounting to €2bn. There is also a €2bn programme of Negotiable European Medium-Term Notes ("NEU MTNs").

The portfolio of long-term investment securities also recognises a liquidity reserve that can be mobilised through market repurchase agreements. This portfolio has a supplementary securities portfolio (€1.16bn in nominal) created in the context of an additional liquidity reserve to respect the LCR ratio. These securities may also be mobilised through repurchase agreements.

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

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

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

The table below shows the maturity of AFD's financial liabilities at 31 December 2017, analysed based on undiscounted contractual cash flows.

Contractual term to maturity	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total cash flow	Book value
Liabilities						
Financial liabilities at fair value through profit and loss	41,956	59,174	2,190	162,885	266,205	266,205
Hedging derivatives (liabilities)	4,189	213,117	45,775	794,192	1,057,272	1,057,272
Financial liabilities valued at amortised cost	2,317,796	1,699,309	11,236,807	14,379,197	29,633,110	29,633,110

6.2.6.3 Interest rate risk

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

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

AFD's total interest-rate risk is monitored using asset liability management and modified duration gap matching. Based on the figures at 31 December 2017, the impact of a 100 bp rise in interest rates on projected 2018 earnings was estimated at -€16.3M (+€16.5M for a 100 bp decrease).

6.2.6.4 Foreign-exchange risk

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

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

The foreign-exchange risk may be measured by analysing modified duration: if foreign currencies appreciate against the euro by 10%, this increases earnings by an estimated €1.4M (-€1.4M for a 10% decline), the sensitivity of exchange rates being mainly attributable to the Japanese Yen.

Note that AFD Group adheres to an internal limit approved by the Board of Directors on 26 April 2017: exposure per currency may not exceed 1% of the three-month average of regulatory capital, with the understanding that overall exposure must remain below 2% of this same amount of capital. This internal policy keeps foreign exchange risk to a minimum (excluding ownership interests, provisions and past due amounts).

6.2.6.5 Market risk

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk, which is below the threshold set by Article 351 of the CRR on capital requirements for foreign-exchange risk.

6.2.6.6 Counterparty risk

Counterparty risk is the threat of a counterparty defaulting on interest-rate and currency swaps entered into as part of debt and counterparty management linked to short-term or portfolio investments.

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

For non-sovereign risks, the highest authorised exposure to a counterparty is 10% of AFD's benchmark consolidated equity, *i.e.* €560M based on benchmark equity of €5,600M. By way of an exception, this limit is 20% for banking groups whose registered office is in France. Specific rules also govern the operation of the various portfolios.

6.2.6.7 Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2017.

6.2.7 Additional information

6.2.7.1 Commitments

In thousands of euros	31/12/2017 IFRS	31/12/2016 IFRS
Commitments received		
Financing commitments received from the French State	120,000	280,000
Guarantee commitments received from the French State on loans	786,508	770,859
Guarantee commitments received from credit institutions	479,206	371,685
as part of the Group's lending activity	*479,206*	*371,685*
Commitments given		
Financing commitments made to credit institutions	1,732,334	1,600,964
Financing commitments made to customers	10,257,041	9,055,181
Guarantee commitments made to credit institutions	82,053	57,059
Guarantee commitments made to customers	502,904	471,301

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

Financing commitments given stood at €11.9bn at 31 December 2017.

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions. The commitment amount is lower than the figure stated in AFD's individual company financial statements because the transactions on behalf of third parties (IMF, on behalf of the French government) are not included in the Group's consolidated financial statements.

6.2.7.2 Investments in managed funds

AFD has interests in 28 companies via a number of managed funds (Cidom, FAC, Fides and Fidom) or via funds contributed by the French State. These holdings, recorded at cost, do not appear on the balance sheet. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

Fund source	Number of equity stakes	Purchase price
Caisse d'Investissement des DOM (Cidom)	3	1,494
Fonds d'Investissement & de Développement Économique et Social (Fides)	5	642
Fonds d'Investissement des DOM (Fidom)	13	1,526
Other Government resources	7	16,944
TOTAL	**28**	**20,607**

6.2.7.3 IMF balance sheet

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

In thousands of euros	31/12/2017	31/12/2016
Assets		
Loans and receivables due from credit institutions	1,435,002	1,496,889
Demand	*532,746*	*236,260*
Term	*902,255*	*1,260,630*
Accruals	57,091	59,317
TOTAL ASSETS	**1,492,093**	**1,556,206**
Liabilities		
Debt securities in issue	1,481,064	1,481,070
Bonds	*1,434,000*	*1,434,000*
Of which accrued interest	*47,064*	*47,070*
Accruals and other miscellaneous liabilities	11,029	75,137
TOTAL LIABILITIES	**1,492,093**	**1,556,206**

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 €0.6M, the IMF loans have no impact on AFD Group's financial position.

6.2.7.4 Transactions between related parties

In thousands of euros	31/12/2017 AFD Group	31/12/2017 Equity-accounted companies	31/12/2016 AFD Group	31/12/2016 Equity-accounted companies
Credits	436,608		483,714	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**436,608**	**0**	**483,714**	**0**
Debts		436,608		483,714
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES WITH RELATED ENTITIES	**0**	**436,608**	**0**	**483,714**
Related interest, income and expenses	13,768	-13,768	15,213	-15,213
Commissions				
Net income on financial transactions				
Net income on other activities				
TOTAL NBI GENERATED WITH RELATED ENTITIES	**13,768**	**-13,768**	**15,213**	**-15,213**

6.2.7.5 Disclosure on non-cooperating States and territories

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

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

At 31 December 2017, AFD Group did not have any offices in non-cooperative countries or territories.

6.2.7.6 statutory auditors' fees at 31 December 2017

In accordance with Decree No. 2008-1487 of 30 December 2008, and ANC regulations No. 2016-09 and 2016-08, the table below shows the fees paid to the statutory auditors of AFD and its fully consolidated subsidiaries for 2017. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – 2017 financial year	
AFD	€437,000*
Proparco	€140,000
Soderag	€15,000
Sogefom	€26,000
Fisea	€12,660
Propasia	€7,000

* *Includes fees on account of IFRS 9 (Mazars: €36,000/KPMG: €36,000).*

The amount of other fees invoiced for due diligence directly related to the statutory audit, or any other service rendered for the Group, totalled €82K for 2017.

AFD	Mazars	KPMG
Fees*	€218,500	€218,500
Other assignments – France	€6,000	€53,947
Other assignments – outside France	€0	€22,236

* *Includes fees on account of IFRS 9 (Mazars: €36,000/KPMG: €36,000).*

6.2.7.7 Significant events since 31 December 2017

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

6.3 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Year ended 31 December 2017

To the Board of Directors of Agence Française de Développement,

Opinion

In compliance with the assignment entrusted to us by your Board of Directors, we have audited the consolidated financial statements of Agence Française de Développement for the year ended 31 December 2017, as attached to this report.

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

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

Auditing framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities pursuant to those standards are set out in the "Responsibilities of the statutory auditors in the auditing of the consolidated financial statements" section of this report.

Independence

We carried out our audit mission in accordance with the rules of independence applicable to us from 1 January 2017 to the date of our report, and in particular we did not provide services prohibited by Article 5, paragraph 1 of Regulation (EU) No 537/2014 or the Code of Ethics for the profession of statutory auditor.

In addition, the services other than the certification of the financial statements that we provided during the financial year to your company and the entities it controls that are not mentioned in the management report or the notes to the consolidated financial statements are the following:

- certification of information to be sent to the ECB as part of the withdrawal of AFD approval;
- Issuance of a comfort letter;
- certification of KPMG S.A. in connection with the issue of the "Climate Bond" on 17 September 2014;
- KPMG S.A. mission with respect to the audit of the documentation of the expenses incurred for a project in Mozambique and mission with respect to the closure audit for the same project;
- KPMG S.A. report on the consolidated social, environmental and societal information contained in the AFD management report;
- report by KPMG S.A., the statutory auditor of FISEA S.A.S., on the issuance of preference shares with preferential subscription rights.

Justification of our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we are required to bring to your attention the key points of the audit relating to the risks of material misstatement, which, in our professional judgement, were greatest for the audit of the consolidated financial statements for the year, as well as the responses we provided to those risks.

The assessments thus made fall within the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in those consolidated financial statements in isolation.

Identification and assessment of credit risk

Risks identified

The Agence Française de Développement Group is exposed to credit and counterparty risks. These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD or its subsidiaries (especially PROPARCO S.A.).

Your group is creating impairments to cover these risks. They are estimated on a collective or individual basis, taking into account the value of guarantees held.

The determination of the collective provisions is based on the estimate of estimated residual losses (ERLs) based on qualitative and quantitative analyses of homogeneous credit portfolios obtained by type of borrower and country class.

Individual impairment losses are determined on the basis of assumptions such as the counterparty's financial position, the country risk associated with the counterparty, the valuation of any guarantees and expected future cash flows.

As a result, there is a risk that the basis for the doubtful outstandings identified by the Group is not exhaustive and the provisions created do not adequately cover the credit risk of the outstandings portfolio. Consequently, we were of the opinion that the collective and individual provisioning of credit risk constitutes a key point of the audit because it is a significant area of accounting estimation that requires the exercise of the judgement of Management in the assumptions made.

As regards the AFD consolidated financial statements at 31 December 2017, the total amount of provisions amounts to €825 million as indicated in Notes 3.2.2, 3.2.6, 3.2.7 and 4.1-note 4 to the consolidated financial statements.

Audit procedures put in place in response to risks identified

To assess the reasonableness of the provisions created, we:

- reviewed the process for evaluating the provisions and the internal control procedures governing them;
- reviewed the governance of the provisioning processes;
- verified the consistency of data from the risk management systems with the accounting data.

If the provision was calculated on a collective basis, we put in place the following substantive procedures:

- verification of the comprehensiveness of the basis on which the calculation of the provision was made and assessment of the relevance of the assumptions of the provisioning model;
- verification of the arithmetical accuracy of the calculations made;
- assessment of the consistency of changes in provisions, outstandings and the risk burden.

When the provision was determined on an individual basis, our work consisted of:

- testing the underlying assumptions and data used by Management to estimate impairments using credit file samples;
- verifying the correct implementation of the decisions made during Risk Committee meetings.

We also made sure that the downgrading rules for outstandings were not changed compared to the previous year.

Valuation of available-for-sale securities

Risks identified

The Agence Française de Développement Group holds available-for-sale assets as detailed in Notes 3.2.3, 4.1 - note 3 and Note 14 to the consolidated financial statements. These securities are recognised at their fair value. The assets are impaired over the long term in the event of unrealised losses over three consecutive financial years or a decrease of more than 50% in the acquisition value of the security, as described in Note 3.2.3.

Due to the limited availability of market data, the valuation of some of these financial instruments requires the exercise of judgement by management for the selection of the valuation method and parameters to be used.

We considered the valuation of available-for-sale financial assets to be a key point of the audit, given:

- the significant impact from the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the significance of those amounts in the financial statements.

Audit procedures implemented in response to risks identified

In this context, our work consisted of:

- updating our knowledge and then testing the effectiveness of the control procedures relating to the determination of the valuation method used for those securities;
- testing, on the basis of sampling, the correct application of the valuation method to a selection of securities.

To that end, we verified the appropriateness of the accounting methods used by the Group and we made sure that they were correctly applied.

We also put in place the following substantive procedures:

- reviewing all securities with an objective indicator of impairment to ensure the accuracy and completeness of the recorded long-term impairments;
- verifying the accounting/management reconciliation for the available-for-sale securities portfolio;
- reconciling, on the basis of sampling, the valuation of securities with the external documentation that justified it.

Verification of the Group-related information given in the management report

As required by law, we also verified, in accordance with professional standards applicable in France, the Group-related information that appeared in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Information obtained from other legal and regulatory requirements

Appointment of statutory auditors

KPMG S.A. was appointed as a statutory auditor for Agence Française de Développement by your Board of Directors on 3 July 2002 and Mazars on 30 April 1996.

At 31 December 2017, KPMG was in the sixteenth consecutive year of its mission and Mazars in the twenty-second year, 16 and 19 years respectively since the company's shares were admitted to trading on a regulated market.

Responsibilities of management and the persons comprising the governance of the company in the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal controls that it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether due to fraud or error.

During the preparation of the consolidated financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, presenting in those financial statements, as appropriate, the necessary information relating to the continuity of operations and applying the going concern accounting policy unless there are plans to wind up the company or cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit as regards procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Chief Executive Officer.

Responsibilities of the statutory auditors in the auditing of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatements. Misstatements may be due to fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that financial statement users make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission of financial statement certification does not involve guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, statutory auditors exercise their professional judgement throughout the audit. Moreover:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address those risks, and collect items they consider sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement due to fraud is higher than it is for a material misstatement due to an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing of internal controls;
- they review the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of the internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;
- they assess the appropriateness of management's application of the going concern accounting policy and, according to the items gathered, the existence or non-existence of significant uncertainty related to events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information gathered up to the date of their report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If they conclude that there is significant uncertainty, they point out that uncertainty to the readers of their report on the information provided in the consolidated financial statements or, if such information is not provided or is not relevant, they give a qualified certification or refuse to certify;
- they assess the overall presentation of the consolidated financial statements and evaluate whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view thereof;
- concerning the financial information of the persons or entities included in the scope of consolidation, they collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee that outlines the scope of the audit and the program put in place, as well as the conclusions arising from our work. We also point out, where appropriate, significant weaknesses in the internal controls that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items submitted in the report to the Audit Committee are risks of material misstatement, which we consider to have been the most important for the auditing of the consolidated financial statements for the year and therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration described in Article 6 of Regulation (EU) No 537-2014 confirming our independence as defined by the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for the profession of statutory auditor. As appropriate, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 6 April 2018

The statutory auditors

MAZARS	KPMG S.A.
Pascal Brouard Partner	Nicolas De Luze Partner

6.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

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

Board of Directors meeting to approve the financial statements for the year ended 31 December 2017

To the members of the Board of Directors of Agence Française de Développement,

In our capacity as statutory auditors of Agence Française de Développement, we hereby present our report on your regulated agreements and commitments.

On the basis of the information provided to us, we are required to inform you of the principal terms and conditions, as well as the reasons providing evidence of the benefit to the company, of the agreements and commitments of which we have been informed or that we discovered during our assignment. It is not our role to determine whether they are beneficial or appropriate or to look for the existence of other agreements and commitments. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to evaluate the benefits arising from these agreements prior to their approval.

Where applicable, we are also responsible for presenting you with the information provided for in Article R. 225-31 of the French Commercial Code relating to the execution, during the year elapsed, of the agreements and commitments already approved by the Board of Directors.

We performed the procedures we considered necessary in accordance with the professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the basic documentation from which it was taken.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE BOARD OF DIRECTORS FOR ITS APPROVAL

Agreements and commitments approved and entered into during the previous financial year

Pursuant to Article L. 225-40 of the French Commercial Code applicable to your institution in accordance with Article L. 511-39 of the French Monetary and Financial Code, we have been advised of the following agreements and commitments entered into during the previous financial year that were subject to the prior authorisation of your Board of Directors.

WITH THE COORDINATION SUD NON-PROFIT GROUP

Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT and COORDINATION SUD for the financing of the three-year COORDINATION SUD programme of activities 2017/2019

On 23 February 2017, the AFD Board of Directors approved the signing of a regulated agreement with COORDINATION SUD for the financing of the three-year COORDINATION SUD programme of activities 2017/2019.

With that funding, COORDINATION SUD hopes to continue to strengthen its contribution to public policies regarding humanitarian issues, sustainable development and international solidarity by bringing together, strengthening and enhancing French CSOs as key players in international solidarity.

AFD provided the beneficiary with a grant of €2,943,314, or 60% of the total estimated budget for the programme. The first tranche will be for the 2017 financial year and the second for 2018 and 2019.

At 31 December 2017, AFD had paid €713,000.

WITH THE COMITÉ NATIONAL DE SOLIDARITÉ LAÏQUE (CNSL) (NATIONAL SECULAR SOLIDARITY COMMITTEE)

Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT and the CNSL for the financing of a project to support citizen participation in post-peace agreement Colombia

On 13 July 2017, the AFD Board of Directors approved the signature of a regulated agreement with the Comité National de Solidarité Laïque for the financing of a project to support citizen participation in post-peace agreement Colombia.

AFD provided the beneficiary with a grant of €349,706, or 50% of project costs. The project will last for 30 months, from 1 September 2017 to 29 February 2020.

This project was previously presented to the NGO Committee on 13 June 2017.

At 31 December 2017, AFD had paid €201,000.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE BOARD OF DIRECTORS

Agreements and commitments approved in previous years

In accordance with Article of the French Commercial Code, we were informed that the following agreements and commitments already approved by the Board of Directors in previous years remained in effect last year.

WITH THE EUROPEAN INVESTMENT BANK

Risk sharing framework agreement with the EUROPEAN INVESTMENT BANK

On 22 December 2016, AFD signed a risk sharing framework agreement with the European Investment Bank.

Through this, the EIB shares risk up to a maximum amount of €150M for projects included in the portfolio of eligible projects. These are projects for which a confirmation of participation has been signed by AFD and the EIB.

In the event of payment default, AFD may send notification to the EIB indicating the amount and the nature of the unpaid sums, their due date and the amount of the EIB's share of these sums.

Up to the threshold of its available participation commitment, the EIB is committed irrevocably to paying AFD within a period of 60 days following receipt of the notification, an amount corresponding to its percentage share.

In exchange for the EIB's risk sharing commitment, AFD will pay the EIB a risk sharing commission calculated for each project. Should a project default, no participation commission will be payable from AFD to the EIB.

The EIB's risk sharing benefits from a European Union guarantee in respect of the European Fund for Strategic Investments.

This agreement was approved by the Board of Directors on 15 December 2016.

WITH THE COORDINATION SUD NON-PROFIT GROUP

Agreement between AGENCE FRANCAISE DE DEVELOPPEMENT and COORDINATION SUD regarding the financing of the FRIO facility

On 1 September 2016 AFD and COORDINATION SUD signed an agreement on the financing of the FRIO facility, which aims to strengthen organisational and institutional aspects of French CSOs (civil society organisations).

AFD is putting at the beneficiary's disposal a grant for a maximum amount of €584,197. This grant may not exceed the limit of 80% of a project's overall budget.

Funding paid must be used entirely for eligible expenses by 31 June 2017 at the latest. The portion of the grant not used by this date will be automatically cancelled.

The period of eligibility for expenses related to the project is set from 1 July 2016, or the project's effective start date, to 31 December 2017, the project's effective closing date.

Costs arising from the negotiation, preparation, signature and execution are considered as additional expenses and remain payable by COORDINATION SUD.

This agreement received prior approval by AFD's Board of Directors on 16 June 2016.

At 31 December 2017, AFD had paid €494,000.

Financing agreement between AGENCE FRANÇAISE DE DÉVELOPPEMENT and COORDINATION SUD on funding the new edition of the study "Argent/Association de solidarité internationale – Edition 2017" (money and international solidarity associations - 2017 edition)

This agreement provides that a grant of €65,395 be made available to the COORDINATION SUD association. This will be used to fund the new edition of the study "Argent/Associations de solidarité internationale (ASI) – Edition 2017"

This agreement received prior approval by AFD's Board of Directors on 15 December 2016.

At 31 December 2017, AFD had paid the total subsidy of €65,000.

WITH THE COMITÉ NATIONAL DE SOLIDARITÉ LAÏQUE (CNSL) (NATIONAL SECULAR SOLIDARITY COMMITTEE)

Agreement on the Programme for Developing Education Networks in West Africa

On 6 April 2017, AFD and the Comité National de Solidarité Laïque signed a financing agreement for the Programme for Developing Education Networks in West Africa (final phase 2016-2018).

The maximum amount of the grant is set at €910,219 of which the first payment will be made once the following conditions have been met:

- approval by the Agency of the final technical and financial report for the previous phase;
- receipt by the Agency of the communication containing the NGO's security plan at the French Embassy in Benin and in Burkina Faso.

The period of eligibility for expenses related to the project is set from 1 April 2016, or the project's effective start date, to 31 March 2018, corresponding to the project's closing date. By the latter date, all of the expenses related to the project must have been paid out.

The deadline for dispersing funds is set at 31 September 2017.

This agreement received prior approval by AFD's Board of Directors on 16 June 2016.

At 31 December 2017, AFD had paid €463,000.

WITH THE SOCIÉTÉ DE GESTION DES FONDS DE GARANTIES D'OUTRE-MER (SOGEFOM)

Service Agreement

On 15 March 2004, AFD and SOGEFOM signed a service agreement effective retroactively to 28 August 2003. Under this agreement, AFD provides management, representation and technical support services to SOGEFOM.

AFD was paid a fee of €1,655K under this agreement in 2017.

WITH THE SOCIÉTÉ DE DÉVELOPPEMENT RÉGIONAL ANTILLES-GUYANE (SODERAG)

Cessation of interest on advances to shareholder current accounts

In 1997, 1998 and 1999, AFD granted SODERAG interest-bearing current account advances in the amount of €47M. These advances were intended to reinforce SODERAG's capital.

Because of SODERAG's irremediably compromised position since it went into voluntary liquidation in 1998, and given AFD's status as sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

Provision of non-interest bearing shareholder advances to SODERAG

Between 1999 and 2005, AFD provided its subsidiary with additional non-interest-bearing current account advances to SODERAG so that its liquidation could continue.

At 31 December 2017, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 totalled €106,346K.

WITH THE SOCIÉTÉ DE CRÉDIT POUR LE DÉVELOPPEMENT DE LA MARTINIQUE (SODEMA), SOCIÉTÉ DE CRÉDIT POUR LE DÉVELOPPEMENT DE LA GUADELOUPE (SODEGA) AND SOCIÉTÉ FINANCIÈRE POUR LE DÉVELOPPEMENT ÉCONOMIQUE DE LA GUYANE (SOFIDEG)

Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from SODERAG by the three SDCs (departmental credit companies)

Under the terms of the protocol agreements signed in October and November 1998 between AFD, SODERAG and the three SDCs (SODEMA, SOFIDEG and SODEGA), the SDCs acquired the portion of SODERAG'S customer loan portfolio relating to their department, as SODERAG was in liquidation. In September and October 2000, three additional protocol agreements were signed with the three departmental credit companies, setting out the terms for managing the portfolio of loans from SODERAG.

At 31 December 2017, outstanding loans in AFD's books amounted to €10,128K for SODEMA, €18,078K for SODEGA and €856K for SOFIDEG.

Two thirds of the interest and early repayment charges received by the SDCs from customer loans are paid to AFD.

The loans' principal is repaid by the SDCs to AFD to the extent that it is repaid by customers, bearing in mind that the total repayment is limited to the acquisition value of the loans.

Lastly, AFD provides the SDCs with guarantees of the outstanding capital of the loans taken over, up to their net book value.

In 2017, AFD was paid fees and interest for these loans that amounted to €239K from SODEMA, €74K from SODEGA and €20K from SOFIDEG.

In 2017, up to €22,949K of the credit risk assumed by AFD was covered by a provision for risks for the SODERAG portfolio transferred to the three SDCs, producing a net reversal of €491K in 2017.

WITH THE FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL (FERDI) AND THE FONDATION DE RECHERCHE POUR LE DÉVELOPPEMENT DURABLE ET LES RELATIONS INTERNATIONALES (FONDDRI)

Lending agreements

Under two agreements signed with FERDI and FONDDRI, respectively, AFD undertook in 2000 to grant an interest-free loan of €12,500K to each foundation, repayable in one instalment after 15 years.

Loan outstanding amounted to €25M at 31 December 2017.

AFD received no remuneration under these agreements in 2017.

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

Service Agreement

On 23 December 2009, AFD signed a service provision agreement with its subsidiary PROPARCO. This agreement, which took effect on 1 March 2009, redefines the contractual relationship between AFD and its subsidiary by itemising the services rendered to PROPARCO by AFD's various departments, at head office and throughout the network, along with the corresponding billing terms.

An amendment, signed on 13 August 2012, primarily redefines:

- the purpose and extent of AFD/PROPARCO services;
- the invoicing and payment procedures for employees governed by AFD's bylaws and seconded employees;
- ongoing control, compliance and security services for activities;
- periodic control services.

The income booked by AFD under this agreement for the period from 1 January 2017 to 31 December 2017 totalled €35,293K.

Paris-La Défense, 6 April 2018

The statutory auditors

KPMG S.A.	MAZARS
Pascal Brouard Partner	Nicolas De Luze Partner

6.5 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

	MAZARS			KPMG SA		
	Amount		%	Montant		%
Amounts in thousands of euros	2017	2016	2017	2017	2016	2017
Audit						
Statutory audit and certification of the annual and consolidated financial statements of AFD Group	296	206	98 %	316	227	81 %
Parent company (AFD)	219	144	72 %	219	144	56 %
Fully consolidated companies	77	61	26 %	98	83	25 %
Additional assignments	6	2	2 %	76	256	19 %
Parent company (AFD)	6	2	2 %	76	256	19 %
Fully consolidated companies	0	0	0 %	0	0	0 %
SUBTOTAL	302	208	100 %	392	483	100 %
Other services						
Legal, tax, benefits						0 %
Other						0 %
SUBTOTAL	0	0	0 %	0	0	0 %
TOTAL FEES BEFORE TAX	302	208	100 %	392	483	100 %

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AFD'S ANNUAL FINANCIAL STATEMENTS

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Balance sheet at 31 December 2017

ASSETS

in thousands of euros	Notes	31/12/2017	31/12/2016
Cash, Central Bank		1,016,776	173,202
Government paper and equivalent	1 and 2	1,746,218	1,429,452
Receivables from credit institutions	3	11,894,788	11,019,026
Demand		*2,216,500*	*917,730*
Term		*9,678,288*	*10,101,296*
Transactions with customers	4	24,070,676	22,148,241
Other loans to customers		*24,070,676*	*22,148,241*
Bonds and other fixed-income securities	1 and 2	198,887	272,569
Shares and other variable-income securities	1 and 2	39,033	39,033
Equity stakes and other long-term securities	5	144,180	131,042
Shares in related businesses	6	605,575	586,894
Intangible assets	9	31,818	26,611
Fixed assets Property, plant and equipment	9	192,500	191,207
Other assets	*10*	*511,311*	*705,938*
Accruals	*11*	*477,524*	*525,985*
TOTAL ASSETS		**40,929,287**	**37,249,200**
OFF-BALANCE SHEET: Commitments given			
Financing commitments		12,846,196	11,748,379
To credit institutions		*2,938,977*	*3,014,628*
To customers		*9,907,219*	*8,733,751*
Guarantee commitments	32	2,257,412	1,737,777
To credit institutions		*21,424*	*28,527*
To customers		*2,235,988*	*1,709,250*
Commitments on securities		328,321	322,574
Other commitments on securities	*32*	*328,321*	*322,574*

LIABILITIES

in thousands of euros	Notes	31/12/2017	31/12/2016
Central Bank			
Debts to credit institutions	12	452,439	442,227
Demand		*143,832*	*117,877*
Term		*308,607*	*324,350*
Transactions with customers	13	2,187	1,937
Other demand debts		*2,187*	*1,937*
Other term debts			
Debt securities in issue	14	30,532,628	27,320,487
Interbank market and negotiable debt		*679,787*	*0*
Bonds		*29,852,841*	*27,320,487*
Other liabilities	10	1,720,758	1,467,949
Borrowings from French Treasury		*0*	*0*
Allocated public funds		*75,702*	*78,033*
Other liabilities		*1,645,056*	*1,389,916*
Accruals	11	363,612	744,103
Provisions	15	1,195,302	1,176,632
Subordinated debt	16	1,375,005	990,004
Reserve for General Banking Risk (RGBR)	17	460,000	460,000
Equity excluding RGBR	18	4,827,355	4,645,861
Provisions		*2,807,999*	*2,807,999*
Reserves		*1,771,777*	*1,661,205*
Subsidies		*32,976*	*38,444*
Income		*214,604*	*138,213*
TOTAL LIABILITIES		**40,929,287**	**37,249,200**
OFF-BALANCE SHEET: Commitments received			
Financing commitments		120,000	280,000
Received from credit institutions			
Received from the French State		*120,000*	*280,000*
Guarantee commitments	32	356,683	246,996
Received from credit institutions		*356,683*	*246,996*
Commitments on securities			
Other commitments received on securities			
Other commitments	32	3,533,063	2,383,727
Guarantees received from the French State		*3,533,063*	*2,383,727*

2017 income statement

in thousands of euros	Notes	31/12/2017	31/12/2016
Income and expenses on banking operations			
Interest and related income	20	1,454,860	1,493,768
On transactions with credit institutions		415,005	438,016
On transactions with customers		512,984	500,188
On bonds and other fixed-income securities		21,560	23,130
Other interest and similar income		505,312	532,434
Interest and related expenses	21	1,181,635	1,243,681
On transactions with credit institutions		635,552	632,612
On transactions with customers		0	7,713
On bonds and other fixed-income securities		475,942	496,137
Other interest and similar income		70,141	107,219
Income on variable-income securities		17,455	12,856
Commissions (income)	22	73,683	62,091
Commissions (expenses)	22	592	1,089
Gains or losses on investment portfolio transactions and similar	23	-731	241
Net profit or loss on transactions/securities held for sale		-731	241
Other income on banking operations	24	272,606	275,456
Other expenses on banking operations	25	67,154	60,519
NET BANKING INCOME		568,492	539,123
Other ordinary income and expenses			
Overheads	26	348,355	309,081
Staff costs		*235,661*	*209,660*
Other administrative expenses		*112,694*	*99,421*
Provisions for depreciation of property, plant and equipment and intangible assets and amortisation	9	20,152	17,680
GROSS OPERATING INCOME		199,985	212,362
Cost of risk	29	9,849	-74,355
OPERATING INCOME		209,834	138,007
Gains or losses on fixed assets	30	5,420	379
PRE-TAX INCOME FROM OPERATIONS		215,254	138,386
Exceptional income	31	-650	-173
Corporate tax			
NET INCOME		**214,604**	**138,213**

7.1 HIGHLIGHTS OF THE PERIOD

7.1.1 Growth of the balance sheet

At 31 December 2017, the total balance sheet stood at €40.9bn, up 10% relative to the previous year. This change mainly stems from the growth in activity, with an increase of 4% in outstanding loans on its own behalf over the period.

7.1.2 Financing of the Group's activity

To finance the growth in loan activity on its own behalf, in 2017 AFD made four bond issues in the form of public issues and six private placements, as well as three tap issues, with a total volume of €6.2bn.

7.1.3 Appropriation of 2016 earnings

Pursuant to Article 79 of the amending Finance Bill 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is determined by ministerial order after review of the company's financial position and a report by the Board of Directors.

The 2016 financial statements were approved by the Board of Directors on 26 April 2017.

The Minister of the Economy and Finance determined the 2016 dividend to be paid by AFD to the French State. It amounted to €27.6M, which equates to 20% of AFD's 2016 net income of €138.2M and was paid after publication in the Official Journal.

The income remaining after paying out the dividend, €110.6M, was appropriated to reserves.

7.1.4 Approval change

AFD's approval changed on 30 June 2017. The European Central Bank (ECB) approved a status change from Bank to Financing company. This change affected neither its EPIC (industrial and commercial public undertaking) status under French law, nor its mission, as the objectives remained the same.

Because of the approval change, on 30 June 2017 AFD ceased to be supervised by the ECB and was placed under the supervision of the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* or ACPR).

The ACPR began an audit of AFD and Proparco in October 2017. The main aim of this audit is to review credit risk.

7.1.5 AFD – Caisse des Dépôts Group (CDC) – STOA investment vehicle

On 15 June 2017, the Board of Directors authorised the subscription by AFD to the capital of the equity investment vehicle in infrastructure projects in partnership with the CDC for a maximum amount of €100M for AFD within five years following the negotiations led by AFD's senior management, in accordance with the 23 March 2017 resolution of the Board of Directors. At 31 December 2017, the public limited company (*société anonyme*) STOA had share capital of €120M, to which AFD subscribed for €20M.

7.1.6 Disposal of equity stakes held in SIDOM

On 28 September 2017, a meeting of AFD's Board of Directors approved the disposal of stakes AFD held on its own behalf in SIDR, SIM, SIGUY and Simar.

In December 2017, AFD sold all of these stakes for a sale price of €20.8M, resulting in a capital gain of €18.2M in AFD's financial statements at 31 December 2017.

7.1.7 Impairment of Fisea securities

The Fisea investment phase, which was initially scheduled to end in 2014, was extended until 2016 and then 2019. An impairment loss of €11.1M was recognised at 31 December 2017 for impairments observed on funds in the management phase.

7.1.8 Method change for the collective provision allocation

The method was fine-tuned to ensure better consideration and harmonisation of changes to the collective provision allocation models in the Group's consolidated financial statements. The adjustment led to a €48.5M reversal of collective provisions.

7.2 ACCOUNTING PRINCIPLES AND ASSESSMENT METHODS

7.2.1 General comments

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

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

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

In accordance with current standards, since 1 January 2006 AFD has applied:

- CRC Regulation 2005-03, which was repealed and replaced by ANC Regulation 2014-07 of 26 November 2014, relative to accounting practice for credit risk;
- as of 1 January 2014, AFD has applied ANC recommendation 2013-02 of 7 November 2013 on the assessment and accounting rules for retirement obligations and similar benefits, which supersedes CNC Recommendation 2003-R01 of 1 April 2003.

7.2.2 Conversion of foreign currencies

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

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

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

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

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

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

(1) *PRGF: Poverty Reduction and Growth Facility.*

7.2.3 Loans to credit institutions and customers

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

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

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

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

By agreement with the French Prudential Supervisory and Resolution Authority, the following exceptions are allowed: debts guaranteed by the French State, which are not downgraded, and sovereign debts for which the allowed period of arrears has been extended to 18 months.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total impairment for the outstanding capital (impairment for specific risks).

Litigated debt obligations are included in doubtful loans.

Non-performing outstanding loans are doubtful loans for which the prospect of repayment is greatly reduced and for which reclassification to the rank of performing outstanding loan is unlikely. Loans rated doubtful for more than 12 consecutive months and credit agreements beyond their term are always classified in this category.

AFD has recorded depreciations to cover the discounted value of all projected losses on doubtful loans and non-performing loans. The projected losses are equal to the difference between the initial contractual cash flows, less those already received, and projected cash flows. Cash flows are discounted at the original effective interest rate for fixed-rate loans and at the last effective interest rate for variable-rate loans.

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

Asset restructuring

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If, in view of the change in the borrowing terms, the present value of these new expected future flows at the original effective interest rate of the asset is lower than its book value, a discount must be booked to bring the book value back to the new present value.

At 31 December 2017, restructured loans had a balance of €52.3M. Discounts of €469K related to two restructured loans were recognised.

7.2.4 Short-term and long-term investments

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

- Short-term investment securities intended to be held for six months or more are recorded at the date of their acquisition, at the purchasing price, excluding accrued interest.

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

  Impairment for unrealised losses, calculated as the difference between book value and market price, is made monthly on a line-by-line basis, without offsetting unrealised gains. Unrealised gains are not shown in the financial statements;
- Long-term investment securities (mainly bonds), purchased with the intention of holding them for a long time, until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.

They may be subject to impairment in case of counterparty risk.

Premiums or discounts (the difference between purchase price and redemption price) are spread on an actuarial basis over the residual life of the investment.

At each monthly account closing, the coupon accrued since the last period is reported as income.

AFD has secured resources allocated to funding its long-term securities investments.

7.2.5 Shares in related businesses, equity stakes and long-term investments

Shares in related businesses

Shares in related businesses are those held in exclusively controlled companies that can be fully consolidated.

Equity stakes

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

This relates especially to interests that meet the following criteria:

- interests in proportionately consolidated companies or issued by equity-accounted companies;
- interests in companies with directors or managers who are also in the holding company, under terms that enable influence to be exercised over the company whose shares are held;
- interests in companies belonging to the same Group controlled by individuals or corporate entities with control over the whole Group and thus demonstrating centralised decision-making;

- interests representing over 10% of rights in the capital issued by a credit institution or a company that is in the same line of business as the holding company.

Other long-term investments

This category includes investments in securities designed to promote the development of lasting business relations by creating a special link with the issuing company, but with no influence on the management of the companies in which the shares are held given the small percentage of voting rights they represent.

In view of its negligible impact, this last item is not included separately in the notes to the financial statements.

For these three categories:

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

Capital gains or losses on disposal of these shares are recorded under "gains or losses on fixed assets".

AFD also holds interests in 28 companies, either through managed funds (Cidom, FAC, Fides, and Fidom) or through State funds. These holdings, recorded at cost, do not appear on the publishable off-balance sheet. Details of the amounts involved are provided in Note 35. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

7.2.6 Bonded debt

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

7.2.7 Subsidies

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

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

7.2.8 Fixed assets

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

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

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

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

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

- 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.

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

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

7.2.9 Forward financial instruments

Off-balance sheet assets for financial instruments result entirely from outright transactions – interest-rate swaps and cross-currency swaps – made over-the-counter.

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

In accordance with ANC Regulation 2014-07[1], the par value of these contracts is recorded off balance sheet, while symmetry in relation to the hedged item results in income or expenses recorded as interest and related income or expenses for hedged items. Such income and expenses are not offset.

7.2.10 Provisions

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

Provisions for sovereign outstandings

The agreement "on the reserve account[2]" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

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

The balance of this account cannot be less than the amount required by banking regulations applicable to collective provisions on performing or restructured loans. This lower regulatory limit is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

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

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

Collective provisions of non-sovereign outstandings

The portfolio of loans written down on a collective basis consists of all non-sovereign loans in foreign countries that are not written down on an individual basis.

The provisions are calculated based on a homogeneous portfolio of counterparties determined by quantitative and qualitative [analysis looking at the macroeconomic situation and the estimated residual loss (ERL)]. At 31 December 2017, the portfolio is presented with a segmentation based on three sectors: public goods and services, financial sector and private goods and services.

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

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

Collective provision allocations for performing non-sovereign loans in foreign countries impacted positively on the cost of risk in the amount of €46.7M. The reversal amount takes account of the refining of the sub-participation loan portfolio in 2017. At 31 December 2017, the loan loss reserve ratio for these outstandings was 5%.

Provisions for subsidiary risk

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

Provisions for miscellaneous risk

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

Provisions for foreign-exchange risk

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

Provisions for employee benefits

Defined benefit plans

Retirement and early retirement commitments

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

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

The assumptions used for the valuations are as follows:

- discount rate: 0.50%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual increase in salary: 2.00%.

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

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

The assumptions used for the valuations are as follows:

- discount rate: 2.00%;
- annual increase in salary: 2.00%;

(1) Book II, Title 5, of ANC Regulation 2014-07 concerning forward financial instruments, which repeals and replaces CRBF Regulation 90-15 as amended by CRBF 92-04.

(2) The signature of this agreement precludes the agreement "on recording provisions for sovereign loans granted by AFD on its own behalf" of 30 December 2010 between the State and AFD.

- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

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

As of 31 December 2017, the amount of the provision was increased by €2,123K.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2017 in the amount of €27K.

The aggregate impacts on the 2016 and 2017 reporting years are set out in the table below:

In thousands of euros	At 31/12/2017	Change in the impact on income	At 31/12/2016	Change in the impact on income	At 01/01/2016
Provisions for employee benefits	88,171	2,150	86,021	4,472	81,549
• *Defined benefit plans*	*87,207*	*2,123*	*85,084*	*4,400*	*80,685*
• *Other long-term benefits*	*964*	*27*	*936*	*72*	*864*

The changes in commitments over 2017 are shown in the table below:

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment:						
Present value of the commitment at 1 January	57,314	84,279	15,453	157,046	936	157,982
Financial cost	288	1,541	272	2,100	17	2,117
Cost of services rendered over the year	228	3,766	1,159	5,154	110	5,264
Cost of past services	0	-2,231	0	-2,231	0	-2,231
Reductions/Liquidations	0	0	0	0	0	0
Services paid	-10,738	-1,921	-851	-13,510	-43	-13,553
Actuarial gains (losses)	-3,109	-4,701	-543	-8,353	-58	-8,410
PRESENT VALUE OF THE COMMITMENT AT 31/12/2017	43,983	80,733	15,490	140,206	964	141,170
Change in the fair value of retirement plan assets:						
Fair value of assets at 1 January	61,280			61,280		61,280
Expected return on assets	306					
Services paid	-10,738					
Actuarial gains (losses)	-1,244					
Liquidations	0					
FAIR VALUE OF ASSETS AT 31/12/2017	49,605			49,605		49,605
Corridor limits:						
Actuarial gains (losses) not recognised at 1 January	1,228	-10,864	-1,046	-10,681	0	-10,681
Corridor limits at 1 January	6,128	8,428	1,545			
Actuarial gains (losses) generated over the year	1,865	4,701	543	7,109	58	7,167
Actuarial gains (losses) recognised in profit or loss	0	179	0	179	-58	121
Actuarial gains (losses) recognised in equity	0	0	0	0		0
ACTUARIAL GAINS (LOSSES) NOT RECOGNISED AT 31/12/2017	3,093	-5,984	-503	-3,394	0	-3,394
Amounts recognised on the balance sheet at 31/12/2017:						
Present value of the funded commitment	43,983					
Fair value of financed assets	-49,605			-5,622		-5,622
Present value of unfunded commitment		80,733	15,490	96,223	964	97,187
Net position	-5,622	80,733	15,490	90,601	964	91,565
Unrecognised actuarial gains (losses)	3,093	-5,984	-503	-3,394		-3,394
Balance sheet provision	-2,529	74,749	14,988	87,207	964	88,171

In thousands of euros	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Amounts recognised on the income statement at 31/12/2017:						
Cost of services rendered over the period	228	3,766	1,159	5,154	110	5,264
Cost of past services	0	-2,231	0	-2,231	0	-2,231
Financial cost for the period	288	1,541	272	2,100	17	2,117
Recognised actuarial gains (losses)	0	179	0	179	-58	121
Expected return on retirement plan assets	-306			-306		-306
Cost of services rendered						
Impact of reductions/liquidations						
EXPENSES BOOKED	210	3,255	1,431	4,895	70	4,965
Reconciliation of opening and closing net liability:						
Liability at 1 January	-2,738	73,415	14,408	85,084	936	86,021
Expenses booked	210	3,255	1,431	4,895	70	4,965
Contributions paid						0
Employer contributions	0	-1,921	-851	-2,772	-43	-2,815
Items that will not be subsequently recycled to profit or loss	0	0	0	0		0
Net liabilities at 31/12/2017	**-2,529**	**74,749**	**14,988**	**87,207**	**964**	**88,171**
Change in net liabilities	**210**	**1,334**	**580**	**2,123**	**27**	**2,150**

Projected commitments at 31 December 2018 are as follows:

Actuarial debt at 31/12/2017	43,983	80,733	15,490	140,206	964	141,170
Cost of services rendered in 2018	198	3,764	1,240	5,201	129	5,331
Financial cost in 2018	221	1,690	315	2,226	21	2,247
Services payable in 2018/transfer of capital upon departures in 2018	-9,661	-1,838	-1,113	-12,613	-80	-12,693
Estimated debt at 31/12/2018	34,740	84,349	15,932	135,020	1,034	136,054

7.2.11 Reserve for General Banking Risk (RGBR)

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

Among other things, the Reserve is intended to hedge:

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

7.2.12 Subordinated debt

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

In accordance with riders n°1 of 19 March 2015 and n°2 of 24 May 2016, on the initiative of the French State and per the third stage of additional financing of €280M, there was a drawdown of €160M on this last tranche of RCS (resources with special conditions) in September 2017. The drawdown of the balance of €120M is planned for September 2018, thereby reaching the €840M total for the period 2015-2018.

At 31 December 2017, the balance was thus €720M instead of the €840M initially planned by 2017.

7.2.13 Financing commitments

Financing commitments given record the amounts to be disbursed under lending agreements with customers or credit institutions and under investment fund agreements.

Financing commitments given to credit institutions include the amounts to be disbursed, on the State's behalf, under agreements signed with the IMF for financing the PRGF.

Financing commitments given to investment funds include remaining commitments for AFD's subscription to Fisea's new share issue, namely €60M at 31 December 2017 (€190M having already been subscribed).

7.2.14 Guarantee commitments

Commitments given for guarantees to credit institutions include, in particular:

- guarantees granted by AFD for the Ariz I, Ariz II and Ariz Med procedure (Support for the risk of financing private investment in AFD's PSZ, in Sub-Saharan Africa and in Mediterranean countries). These guarantees are intended to encourage the creation and development of local businesses;

Commitments given for guarantees to clients include, in particular:

- the guarantee of the debt of its subsidiary in liquidation, Soderag, bearing in mind that a very large part of this debt was repaid early in 1998 and 1999 after Soderag sold its portfolio to Sodega, Sodema and Sofideg. The portfolio was then taken over by Sofiag;
- the guarantee granted to Sofiag accounts for 50% of gross outstandings on the loan portfolio sold by Socredom in 1998 in preparation for its dissolution, which took place on 1 January 1999;
- repayment guarantees for the three bonds issued by IFFIM as part of managing the French contribution to the Solidarity Fund for Development (FSD) on behalf of the French State;
- sub-participation guarantees granted to Proparco.

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

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

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

7.2.15 Disclosure on non-cooperating States and territories

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

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

At 31 December 2017, AFD did not have any offices in non-cooperative countries or territories.

7.2.16 Other information related to consolidation

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

7.2.17 Post-closing events

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

7.3 NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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Note 1 Short-term investments[1]

	December 2017			December 2016		
In millions of euros	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	1,059,199		1,059,199	731,148		731,148
Related receivables	8,463		8,463	4,795		4,795
Impairments	-416		-416	-743		-743
NET TOTAL	1,067,246		1,067,246	735,200		735,200
Bonds and other fixed-income securities	45,252	53,969	99,221	45,937	120,070	166,007
Related receivables	446	11	457	446	-33	412
Impairments	0	0		0		0
NET TOTAL	45,698	53,980	99,678	46,382	120,037	166,420
Shares and other variable-income securities	39,033		39,033	39,033		39,033
Impairments						0
NET TOTAL	39,033		39,033	39,033		39,033
TOTAL NET VALUE	**1,151,977**	**53,980**	**1,205,957**	**820,615**	**120,037**	**940,652**

In millions of euros	Fixed income	Variable income	Total	Fixed income	Variable income	Total
Unrealised capital gains	9,314	10,764	20,078	7,852	9,668	17,520

In millions of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	2017 total
Maturity of bonds and other fixed-income securities	45,252		53,969		99,221

Note 2 Long-term investments[1]

	December 2017			December 2016		
In millions of euros	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	669,410		669,410	683,922		683,922
Related receivables	9,563		9,563	10,330		10,330
Net total	678,973		678,973	694,252		694,252
Bonds and other fixed-income securities	96,648		96,648	103,299		103,299
Related receivables	2,561		2,561	2,850		2,850
Net total	99,209		99,209	106,149		106,149
TOTAL NET VALUE	**778,182**		**778,182**	**800,402**		**800,402**
Difference between purchase price and redemption price	66,216		66,216	63,311		63,311

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

In millions of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	2017 total
Maturity of bonds and other fixed-income securities			51,960	28,592	96,648

(1) Total balance sheet items: Government paper and equivalent, bonds and other fixed-income securities, shares and other variable-income securities total €1,984,138 thousand at 31/12/2017.

Note 3 Receivables from credit institutions

In millions of euros	December 2017 Demand	Term	Total	December 2016 Demand	Term	Total
Regular accounts	173,960	0	173,960	170,987	0	170,987
Loans to credit institutions	2,043,293	9,761,535	11,804,827	746,656	10,162,489	10,909,143
of which interbank investment[1]	2,043,293	919,365	2,962,658	746,656	1,141,924	1,888,578
of which loan activity	0	8,842,169	8,842,169	0	9,020,565	9,020,565
Related receivables	120	53,747	53,867	88	56,021	56,109
Impairments	-872	-136,994	-137,866	0	-117,212	-117,213
TOTAL	**2,216,500**	**9,678,288**	**11,894,788**	**917,730**	**10,101,296**	**11,019,027**

(1) This item includes money-market UCITS.

The amount of outstandings at the State's risk and on behalf of the State is €2,026,231 thousand.

In millions of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	2017 total
Maturity of loans to credit institutions		792,380	3,560,870	3,238,090	8,842,169

Total outstanding doubtful loans (€113,985 thousand) are included in "Less than 3 months".

Details of doubtful term loans *In millions of euros*	December 2017 Gross	Impairments	December 2016 Gross	Impairments
Doubtful outstandings (excluding related receivables)	130,067	129,139	113,985	109,358
of which non-performing outstanding sovereign loans[1]				
of which non-performing outstanding non-sovereign loans	113,463	112,112	106,378	106,346

(1) Granted to Governments or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

Note 4 Transactions with customers

In millions of euros	December 2017	December 2016
Credit to customers	24,280,783	22,353,814
Related receivables	98,772	101,100
Impairments	-308,879	-306,673
TOTAL	**24,070,676**	**22,148,241**

Outstanding credit at the State's risk is €667,520 thousand at 31/12/2017. Outstandings for loans on behalf of the State and for governmental loans stand at €6,062 thousand.

In millions of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	2017 total
Maturity of loans to customers	756,844	1,469,837	7,227,552	14,826,549	24,280,783

Total arrears on ordinary receivables (€46,037 thousand) and total doubtful loans (€520,481 thousand) are included in "Less than 3 months".

Details of doubtful term loans *In millions of euros*	December 2017 Gross	Impairments	December 2016 Gross	Impairments
Doubtful outstandings (excluding related receivables)	520,482	308,879	488,241	306,673
of which non-performing outstanding sovereign loans[1]	94,181	78,080	91,398	74,115
of which non-performing outstanding non-sovereign loans	136,063	125,556	130,116	120,943

(1) Granted to Governments or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

Note 5 Equity stakes and other long-term investments

In millions of euros	December 2017	December 2016
Long-term securities and equity stakes	161,529	146,263
Gross value(1)	168,202	164,264
Translation differences	-6,673	-18,001
Related receivables	0	0
Impairments	17,349	15,221
NET TOTAL	**144,180**	**131,042**

(1) The gross amount of listed shares totalled €12,486 thousand in 2017.

Note 6 Shares in related businesses

In millions of euros	December 2017	December 2016
Gross value	622,645	592,873
Impairments	17,070	5,980
NET TOTAL	**605,575**	**586,894**

Note 7 Transactions with related businesses

In millions of euros	December 2017	December 2016
Assets		
Receivables from credit institutions	3,772,642	4,143,254
Liabilities		
Term debts to credit institutions	323,947	323,947
Off-balance sheet		
Financing commitments given	1,395,081	1,359,574
Guarantee commitments given	908,983	1,083,964

Note 8 List of subsidiaries and equity stakes

SUBSIDIARIES HELD AT MORE THAN 50%

In millions of euros	Proparco	Soderag
Head office	151, rue Saint-Honoré 75001 Paris	rue F. Eboué BP 64 97110 Pointe à Pitre
Equity	693,079	5,577
Equity holdings	64.95%	100.00%
Shareholders' equity	922,416	-116,119
of which income after tax	48,229	-14
Gross book value	421,024	5,980
Net book value	421,024	0

In millions of euros	Sogefom	Fisea
Head office	5, rue Roland-Barthes 75012 Paris	5, rue Roland-Barthes 75012 Paris
Equity	1,102	190,000
Equity holdings	60.00%	100.00%
Shareholders' equity	13,928	121,644
of which income after tax	-523	-11,045
Gross book value	5,029	190,000
Net book value	5,029	178,910

EQUITY STAKES OF BETWEEN 10% AND 50%

Gross value	40,116
Net value	35,369

Note 9 Fixed assets and depreciation/amortisation

In millions of euros	31/12/2016	Purchases	Sales	Transfers	31/12/2017
Gross value					
Land and development	88,568	18		4	88,589
Buildings and development	203,083	7,493	78	8	210,506
Other property, plant and equipment	48,511	6,121	2,080	-13	52,540
Intangible assets	72,101	13,278	7,108	1	78,273
GROSS AMOUNT	**412,264**	**26,910**	**9,265**	**0**	**429,908**

In millions of euros	31/12/2016	Provisions	Reversals	Other	31/12/2017
Depreciation/amortisation					
Land and development	2,575	188	0		2,762
Buildings and development	110,244	7,986	51		118,179
Other property, plant and equipment	36,136	4,029	1,972		38,193
Intangible assets	45,490	7,950	6,985		46,455
Amount of depreciation/amortisation	194,444	20,152	9,008	0	205,588
Impairments	0				0
NET AMOUNT	**217,818**				**224,319**

Note 10 Other assets and liabilities

	December 2017		December 2016	
In millions of euros	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State		317,198		175,338
Borrowings from French Treasury		0		0
Allocated public funds		68,940		66,643
Guarantee funds in the French Overseas Departments		6,761		11,390
Collateral deposit	498,522	885,640	694,334	894,149
Other	12,788	442,219	11,605	320,429
TOTAL	**511,311**	**1,720,758**	**705,938**	**1,467,949**

Note 11 Accruals

	December 2017		December 2016	
In millions of euros	Assets	Liabilities	Assets	Liabilities
Currency adjustment accounts on off-balance sheet items		1,856		413,101
Income and expenses resulting from swaps	350,936	120,921	380,498	135,137
Shared income and expenses	47,247	199,272	88,322	164,341
Other accruals	79,340	41,563	57,165	31,524
TOTAL	**477,524**	**363,612**	**525,984**	**744,103**

Note 12 Debts to credit institutions

In millions of euros	December 2017		December 2016	
	Demand	Term	Demand	Term
Debts to credit institutions	143,805	306,150	117,863	321,817
Related debts	27	2,457	14	2,533
TOTAL	**143,832**	**308,607**	**117,877**	**324,350**

In millions of euros	Less than 3 months	3 months to 1 year	From 1 to 5 years	More than 5 years	2017 total
Maturity of loans due to credit institutions	5,442	105,922	94,634	100,151	306,150

Note 13 Transactions with customers

In millions of euros	December 2017		December 2016	
	Demand	Term	Demand	Term
Accounts payable, customers	2,187	0	1,937	0
Related debts	0	0	0	0
TOTAL	**2,187**	**0**	**1,937**	**0**

Note 14 Debt securities in issue

In millions of euros	December 2017	December 2016
Negotiable debt securities	680,151	0
Bonds	29,490,468	26,961,066
Related debts	362,009	359,421
TOTAL	**30,532,628**	**27,320,487**

In millions of euros	"Less than 3 months"	3 months to 1 year	From 1 to 5 years	"More than 5 years"	2017 total
Maturity of debt securities in issue	2,182,911	1,118,406	12,106,311	14,082,839	29,490,468

Note 15 Provisions

In millions of euros	Déc. 2016	Provisions	Reversals	Translation adjustment	Déc. 2017
Sovereign loans(1)	621,567	59,264	104	1	680,728
Performing non-sovereign loans	349,513	23,782	70,464	0	302,831
Guarantees granted	69,650	18,032	6,914	-4,554	76,214
French Overseas Department subsidiary risks	29,632	132	623	0	29,141
Other risks	10,138				10,138
Foreign exchange losses(1)	7,005		1,605		5,400
Administrative expenses(1)	636				636
Staff costs(1)	88,490	2,723	1,000		90,213
TOTAL	**1,176,632**	**103,932**	**80,709**	**-4,553**	**1,195,302**

(1) These provisions are not recorded in "cost of risk".

Note 16 Subordinated debt

In millions of euros	December 2017	December 2016
Subordinated debt	1,375,000	990,000
Related debts	5	4
TOTAL	**1,375,005**	**990,004**

Note 17 Reserve for General Banking Risk (RGBR)

	December 2016	Provisions	Reversal	December 2017
Reserve for General Banking Risk (RGBR)	460,000			460,000

Note 18 Equity excluding RGBR

In millions of euros	December 2017	December 2016
Provisions	2,807,999	2,807,999
Reserves	1,771,777	1,661,205
Subsidies	32,976	38,445
Unallocated income(1)	214,604	138,213
TOTAL	**4,827,355**	**4,645,861**

(1) Dividends distributed to the French State in 2017 totalled €27,642 thousand.

Note 19 Assets and liabilities in foreign currencies(1)

In millions of euros	December 2017	December 2016
Amount of assets denominated in foreign currencies(2)	8,307,389	9,525,983
Amount of liabilities denominated in foreign currencies(2)	6,552,557	6,453,112

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

Note 20 Interest and related income

In millions of euros	December 2017	December 2016
Interest and income on transactions with credit institutions(1)	**415,005**	**438,016**
Interest on loans	233,593	235,987
Interest on short-term investments	1,494	6,181
Income from forward financial instruments	179,918	195,848
Interest and income on transactions with customers(1)	**512,984**	**500,188**
Interest and income on bonds and other fixed-income securities	**21,560**	**23,130**
Short-term investments	1,573	42
Long-term investments	19,988	23,087
Other interest and similar income	**505,312**	**532,435**
Income from forward financial instruments	505,312	532,435
TOTAL	**1,454,860**	**1,493,768**

(1) The amount of net reversals of provisions for interest on doubtful loans, adjusted for losses on interest on bad loans, is €6,699 thousand at 31/12/2017 compared to €3,109 thousand at 31/12/2016..

In millions of euros	French Overseas Departments	French Pacific Collectivities	Foreign countries
Breakdown of revenue by geographic area:	75,735	42,538	666,281

total revenue of €784,554 thousand

Note 21 Interest and related expenses

In millions of euros	December 2017	December 2016
Interest and expenses on transactions with credit institutions	**635,552**	**632,612**
Interest on accounts payable	5,036	5,073
Expenses on forward financial instruments	630,516	627,539
Interest on borrowings		
Interest and expenses on transactions with customers	**0**	**7,713**
Interest on subordinated debts	0	7,713
Other interest and expenses on transactions with customers		
Interest and expenses on bonds and other fixed-income securities	**475,942**	**496,137**
Interest on interbank market securities and negotiable debt securities	-556	-365
Interest on bonds	474,995	482,534
Interest on lowest-ranked subordinated debt	1,503	13,968
Other interest and similar income	**70,141**	**107,219**
Expenses on forward financial instruments	70,141	106,084
Interest on allocated public funds	0	1,134
TOTAL	**1,181,635**	**1,243,681**

Note 22 Commission income and expenses

In millions of euros	December 2017	December 2016
Commission income	**73,683**	**62,091**
from subsidies	54,590	46,177
from processing	16,722	13,279
other	2,371	2,636
Commission expenses	**592**	**1,089**

Note 23 Gains or losses on investment portfolio transactions

In millions of euros	December 2017	December 2016
Balance of investment portfolio transactions	**-731**	**241**
Capital gains on disposals	119	1,159
Capital losses on disposals	305	276
Reversals of provisions for depreciation	366	101
Provisions for depreciation	911	743

Note 24 Other income on banking operations

In millions of euros	December 2017	December 2016
Other income on banking operations	**272,606**	**275,456**
Subsidies	211,549	219,977
Other banking income	61,057	55,363
Net foreign exchange gains	0	115

Note 25 Other expenses on banking operations

In millions of euros	December 2017	December 2016
Other expenses on banking operations	**67,154**	**60,519**
Other operating expenses	61,395	60,519
Net foreign currency losses	5,759	0

Note 26 Overheads – Staff costs

In millions of euros	December 2017	December 2016
Wages and bonuses	156,751	139,543
Social security expenses	64,579	58,548
Profit sharing	10,490	7,204
Taxes and similar payments on remuneration	15,435	13,248
Provisions/reversal of provisions	1,723	4,762
Rebilling banks' staff	-13,317	-13,644
TOTAL	**235,661**	**209,660**

Note 27 Average workforce

Head office and branches (excluding institutions)	Executives	Skilled employees	Supervisors	Service staff	Stationary staff	2017 total
	1,324	130	6	1	518	1,978

Note 28 Asset impairment

	December 2017				
In millions of euros	Provisions	Reversals	Translation adjustment	Total	December 2016
Unpaid interest on loans (Notes 3 and 4)	15,226	12,390	-195	147,898	145,257
Individualised risk on loans (Notes 3 and 4)	67,364	45,578	-2,031	297,975	273,267
Impairment of equity stakes (Notes 5 and 6)	13,752	535		34,418	21,200
Impairment of short-term investments (Note 23)	911	366		1,285	740
TOTAL	**97,253**	**58,869**	**-2,226**	**481,576**	**440,464**

Note 29 Cost of risk(1)

	December 2017			
In millions of euros	Provisions	Reversals	Total	December 2016
Provisions (Note 15)(1)	41,946	78,001	36,055	-56,750
Depreciation of principal of doubtful loans (Note 28)	67,364	45,578	-21,786	-15,964
Losses on principal of bad loans	4,424	5	-4,420	-1,641
TOTAL	**113,734**	**123,583**	**9,849**	**-74,355**

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

Note 30 Gains or losses on fixed assets

In millions of euros	December 2017	December 2016
Gains or losses on financial fixed assets	**4,951**	**-589**
Capital gains and losses	18,169	-1,534
Provisions/reversals for depreciation	-13,218	945
Gains or losses on other fixed assets	**469**	**968**
TOTAL	**5,420**	**379**

Note 31 Exceptional income

In millions of euros	December 2017	December 2016
Exceptional gains	50	36
Exceptional losses	701	210
NET TOTAL	**-650**	**-173**

Note 32 Other off-balance sheet commitments

In millions of euros	December 2017	December 2016
Guarantee commitments received from the French State on loans	3,533,063	2,383,727
Guarantee commitments received from credit institutions	356,683	246,996
Guarantee commitments made to credit institutions	21,424	28,527
Guarantee commitments given on securities	328,321	322,574
Guarantee commitments made to customers	2,235,988	1,709,250

Note 33 Commitments on forward financial instruments excluding IMF transactions (1)

	December 2017		December 2016	
In millions of euros	notional	Valuation(2)	notional	Valuation(2)
Outright transactions				
Interest rate swaps (hedging transactions)	-31,509,086	305,061	-27,046,466	514,723
Currency swaps (hedging transactions)	28,258,495	14,011	28,604,536	-355,565
Commitments received	14,119,298		14,126,873	
Commitments given	14,139,197		14,477,663	
Other instruments (hedging transactions)				
Options	**-339,181**	**1,915**	**-402,840**	**4,935**

(1) This information does not appear in the publishable off-balance sheet.
(2) The value of these financial instruments was established with reference to market value.

In millions of euros	Less than 1 year	From 1 to 5 years	More than 5 years	2017 total
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	1,923,296	6,588,151	22,997,639	31,509,086
Currency swaps	2,612,370	11,472,078	14,174,047	28,258,495
Commitments received	1,283,713	5,717,515	7,118,070	14,119,298
Commitments given	1,328,657	5,754,563	7,055,977	14,139,197
Options	**9,375**	**49,987**	**279,820**	**339,182**

Note 34 Valuation of forward financial instruments excluding IMF transactions(1) by issuer rating

Banking counterparty rating *In millions of euros*	31-12-2017 Valuation (2)	31-12-2016 Valuation (2)
AAA		
AA	-42,112	-4,158
A	616,376	182,197
BBB	126,696	195,319
NR	-3,444	-6,194
TOTAL	**697,516**	**367,164**

(1) Counterparty risk on derivatives related to the financing of IMF transactions is covered by the overall guarantee granted to AFD by the French State for this purpose.
(2) Replacement cost is represented by the net gain on market values, including accrued interest. If the balance is negative, the cost is zero.

Note 35 Investments held in managed funds (1)

Fund source *In millions of euros*	Number of equity stakes	"Purchase price"
Caisse d'Investissement des DOM (Cidom)	3	1,494
Fonds d'Investissement et de Développement Économique et Social (Fides)	5	642
Fonds d'Investissement des DOM (Fidom)	13	1,526
Other Government resources	7	16,944
TOTAL	**28**	**20,607**

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

Note 36 Compensation of executive officers

Gross annual compensation allocated to executive officers is €380,542.

Note 37 Corporate income tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments, as well as AFD's refinancing activity with regard to its Proparco subsidiary, are subject to corporation tax.

Note 38 Risk exposure

AFD operates on its own behalf in forward financial markets as part of its own activities and those delegated to it by the French State.

These transactions are undertaken within the limits authorised by General Management with the agreement of the Board of Directors.

7.4 AFD'S FINANCIAL RESULTS OVER THE LAST FIVE YEARS

	2017	2016	2015	2014	2013
Capital + Retained earnings *+ Income (in millions of euros)*	**4,794**	**4,607**	**2,097**	**1,941**	**1,858**
Net banking income *(in millions of euros)*	568	539	533	449	441
Net income *(in millions of euros)*	215	138	180	121.3	92.9
Net income/capital + retained earnings + income	4.48%	3.00%	8.58%	6.25%	5.00%
Net income/balance sheet total	0.52%	0.37%	0.51%	0.40%	0.35%
Staff					
Number of employees *(average)*	1,978	1,811	1,715	1,685	1,667
Total payroll costs *(in millions of euros)*	236	210	193.8	184.8	184.3
of which social and cultural initiatives *(in millions of euros)*	20.6	16.3	13	14.3	15.5

7.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

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

Year ended 31 December 2017

To the Board of Directors of Agence Française de Développement,

Opinion

In compliance with the assignment entrusted to us by your Board of Directors, we have audited the annual financial statements of Agence Française de Développement for the year ended 31 December 2017, as attached to this report.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

Auditing framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities pursuant to those standards are set out in the «Responsibilities of the statutory auditors in the auditing of the annual financial statements» section of this report.

Independence

We carried out our audit mission in accordance with the rules of independence applicable to us from 1 January 2017 to the date of our report, and in particular we did not provide services prohibited by Article 5, paragraph 1 of Regulation (EU) No 537/2014 or the Code of Ethics for the profession of statutory auditor.

In addition, the services other than the certification of the financial statements that we provided during the financial year to your company and the entities it controls that are not mentioned in the management report or the notes to the annual financial statements are the following:

- Certification of information to be sent to the ECB as part of the withdrawal of AFD approval
- Issuance of a comfort letter
- Certification of KPMG S.A. in connection with the issue of the «Climate Bond» on 17 September 2014
- KPMG S.A. mission with respect to the audit of the documentation of the expenses incurred for a project in Mozambique and mission with respect to the closure audit for the same project
- KPMG S.A. report on the consolidated social, environmental and societal information contained in the AFD management report
- Report by KPMG S.A., the statutory auditor of FISEA S.A.S., on the issuance of preference shares with preferential subscription rights

Justification of our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we are required to bring to your attention the key points of the audit relating to the risks of material misstatement, which, in our professional judgement, were greatest for the audit of the annual financial statements for the year, as well as the responses we provided to those risks.

The assessments thus made fall within the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in those annual financial statements in isolation.

Identification and assessment of credit risk

Risks identified

The Agence Française de Développement is exposed to credit and counterparty risks. These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD.

AFD is creating provisions to cover these risks. They are estimated on a collective or individual basis, taking into account the value of guarantees held.

The determination of the collective provisions is based on the estimate of estimated residual losses (ERLs) based on qualitative and quantitative analyses of homogeneous credit portfolios obtained by type of borrower and country class.

Individual provisions are determined on the basis of assumptions such as the counterparty's financial position, the country risk associated with the counterparty, the valuation of any guarantees and expected future cash flows.

As a result, there is a risk that the basis for the doubtful loans identified by AFD is not exhaustive and the provisions created do not adequately cover the credit risk of the loan portfolio. Consequently, we were of the opinion that the collective and individual provisioning of credit risk constitutes a key point of the audit because it is a significant area of accounting estimation that requires the exercise of the judgement of Management in the assumptions made.

At 31 December 2017, AFD's annual financial statements include €447 million for impairment of assets and €303 million in provisions for liabilities as indicated in Notes 2-3, 2-10, 3-3, 3-4, 3-15, 3-28 and 3-29 to the annual financial statements.

Audit procedures implemented in response to risks identified

To assess the reasonableness of the provisions created, we:

- reviewed the process for evaluating the provisions and the internal control procedures governing them;
- reviewed the governance of the provisioning processes;
- verified the consistency of data from the risk management systems with the accounting data.

If the provision was calculated on a collective basis, we put in place the following substantive procedures:

- verification of the comprehensiveness of the basis on which the calculation of the provision was made and assessment of the relevance of the assumptions of the provisioning model;
- verification of the arithmetical accuracy of the calculations made;
- assessment of the consistency of changes in provisions, receivables and the risk burden.

When the provision was determined on an individual basis, our work consisted of:

- testing the underlying assumptions and data used by Management to estimate impairments using credit file samples;
- verifying the correct implementation of the decisions made during Risk Committee meetings.

We also made sure that the downgrading rules for receivables were not changed compared to the previous year.

Valuation of equity stakes

Risks identified

The Agence Française de Développement holds equity stakes as detailed in Notes 2.5, 5, 6, 8, 28 and 30 to the annual financial statements. These securities are recorded at their acquisition cost. These assets are impaired when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company, particularly on conditions in its country) or its stock market valuation, as the case may be, is lower than the acquisition cost.

Due to the limited availability of market data, the valuation of some of these financial instruments requires the exercise of judgement by management for the selection of the valuation method and parameters to be used.

We considered the valuation of equity stakes to be a key point of the audit, given:

- the significant impact from the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the significance of those amounts in the financial statements.

Audit procedures implemented in response to risks identified

In this context, our work consisted of:

- reviewing all securities with an objective indicator of impairment to ensure the accuracy and completeness of the recorded impairments;
- verifying the accounting / management reconciliation for the equity portfolio;
- reconciling, on the basis of sampling, the valuation of securities with the external documentation that justified it.

Verification of the management report and other documents addressed to the members of the Board of Directors

We have also performed, in accordance with the professional standards applicable in France, the specific verification required by French law.

Information given in the management report and in the other documents addressed to the Board of Directors with respect to the financial position and the annual financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to the Board of Directors with respect to the financial position and the annual financial statements.

Information on corporate governance

We certify that the report of the Board of Directors on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

With regard to the information provided pursuant to the provisions of Article L. 225-37-3 of the French Commercial Code respecting compensation and benefits paid to corporate officers and the commitments made to them, we have verified their consistency with the financial statements or with the data used to prepare such statements and, where applicable, the information gathered by your company from companies that control or are controlled by your company. On the basis of this work, we have no comments to make on this information.

Other information

In accordance with the law, we have ensured that the various information relating to the acquisition of equity stakes and control and to the identity of the holders of share capital or voting rights have been communicated to you in the management report.

Information obtained from other legal and regulatory requirements

Appointment of statutory auditors

KPMG S.A. was appointed as a statutory auditor for Agence Française de Développement by your Board of Directors on 3 July 2002 and Mazars on 30 April 1996.

At 31 December 2017, KPMG was in the sixteenth consecutive year of its mission and Mazars in the twenty-second year, 16 and 19 years respectively since the company's shares were admitted to trading on a regulated market.

Responsibilities of management and the persons comprising the governance of the company in the annual financial statements

It is the responsibility of management to prepare annual financial statements that present a true and fair view in accordance with French accounting rules and principles and to implement the internal controls that it deems necessary for the preparation of annual financial statements that contain no material misstatements, whether due to fraud or error.

During the preparation of the annual financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, presenting in those financial statements, as appropriate, the necessary information relating to the continuity of operations and applying the going concern accounting policy unless there are plans to wind up the company or cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and the effectiveness of internal control and risk management systems, as well as, where applicable, the internal audit as regards procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements have been approved by the Chief Executive Officer.

Responsibilities of the statutory auditors in the auditing of the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatements. Misstatements may be due to fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that financial statement users make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our mission of financial statement certification does not involve guaranteeing the viability or quality of your company's management.

In the context of an audit conducted in accordance with the professional standards applicable in France, statutory auditors exercise their professional judgement throughout the audit. Moreover:

- they identify and assess the risks that the annual financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address those risks, and collect items they consider sufficient and appropriate to form an opinion. The risk of not detecting a material misstatement due to fraud is higher than it is for a material misstatement due to an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing of internal controls;

- they review the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of the internal control;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the annual financial statements;
- they assess the appropriateness of management's application of the going concern accounting policy and, according to the items gathered, the existence or non-existence of significant uncertainty related to events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information gathered up to the date of their report, but it should be noted that subsequent circumstances or events could jeopardise the continuity of operations. If they conclude that there is significant uncertainty, they point out that uncertainty to the readers of their report on the information provided in the annual financial statements or, if such information is not provided or is not relevant, they give a qualified certification or refuse to certify;
- they assess the overall presentation of the annual financial statements and evaluate whether the annual financial statements reflect the underlying transactions and events in such a way as to give a true and fair view thereof.

Report to the Audit Committee

We submit a report to the Audit Committee that outlines the scope of the audit and the program put in place, as well as the conclusions arising from our work. We also point out, where appropriate, significant weaknesses in the internal controls that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items submitted in the report to the Audit Committee are risks of material misstatement, which we consider to have been the most important for the auditing of the annual financial statements for the year and therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration described in Article 6 of Regulation (EU) No 537-2014 confirming our independence as defined by the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for the profession of statutory auditor. As appropriate, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 6 April 2018
The statutory auditors

KPMG S.A.	MAZARS
Pascal Brouard *Partner*	Nicolas De Luze *Partner*

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PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF THE FINANCIAL STATEMENTS

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8.1. NAME AND POSITION

Philippe Bauduin, Deputy Chief Executive Officer

8.2. CERTIFICATION OF THE PERSON RESPONSIBLE

I certify that I have taken all reasonable steps to ensure that the information contained in this Registration Document is, to the best of my knowledge, correct and that no fact has been omitted that would be likely to alter its scope.

I certify that to the best of my knowledge the financial statements are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The management report faithfully reflects the development of the business, financial position and results of the company and all the subsidiaries included in the scope of consolidation, and describes the primary risks and uncertainties with which they have to contend.

I have obtained a letter from the statutory auditors stating that they have completed their assignment, which included verifying the information relating to the financial position and the financial statements provided in this document as well as reading the entire Registration Document.

Paris, 24 April 2018

Deputy Chief Executive Officer

Philippe Bauduin

8.3. NAME, ADDRESS AND QUALIFICATION OF THE FINANCIAL STATEMENTS' STATUTORY AUDITORS

	For 2015		For 2016		For 2016	
Name	Mazars	KPMG SA	Mazars	KPMG SA	Mazars	KPMG SA
Represented by	Max Dongar	Arnaud Bourdeille	Max Dongar	Pascal Brouard	Nicolas De Luze	Pascal Brouard
Address	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta 92066 Paris La Défense Cedex
Professional body	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes of Versailles	Compagnie Régionale des Commissaires aux Comptes de Versailles	Compagnie Régionale des Commissaires aux Comptes de Versailles

Date of most recent appointment	30 April 2014
End of statutory auditors' mandate	The close of the meeting of the Board of Directors to approve the financial statements for the 2019 financial year

8.4. INFORMATION POLICY

Françoise Lombard

Director of the Finance department

Tel.: +33 (0)1 53 44 40 14

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ADDITIONAL INFORMATION

9.1 Management report cross-reference table 164

9.2 Incorporated by reference 164

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9.1 MANAGEMENT REPORT CROSS-REFERENCE TABLE

	Management report headings	Registration Document reference
1.	**Activities of the Group in 2017**	1
1.1.	General information	1.1
1.2.	AFD operations	1.2
1.3.	Financing activities on its own behalf	1.3
1.4.	AFD Group	1.4
1.5.	Activities of Agence Française de Développement Group in 2017	1.5
2.	**Report on corporate governance and internal control**	3
2.1.	Report on corporate governance	3.1
2.2.	Internal control procedures and organisation of audit trail for accounting and financial information (Article L.225-100-1-5)	4.3.2
3.	**Presentation of the consolidated financial statements**	5.3
3.1.	Consolidated balance sheet	5.3.1
3.2.	Consolidated income statement	5.3.2
4.	**Risk management**	4.1
4.1	Risk factors	4.1
4.2	Main hedges	6.2.6.3 to 6.2.6.5
5.	**Corporate social responsibility**	2
5.1.	Employee information	2.1
5.2.	Environment	2.2
5.3.	Information on commitments to promote sustainable development	2.3
7.	**Recent changes and future prospects**	5.1
7.1.	Recent changes	5.1.1
7.2.	Future prospects	5.1.2
7.3.	Borrowings	5.1.3
8.	**Post-closing events**	5.2
Appendix 1	AFD's operating region	appendix 1
Appendix 2	AFD balance sheet using French standards	appendix 2
Appendix 3	AFD income statement using French standards (simplified)	appendix 3
Appendix 4	Key ratios and indicators	appendix 4
Appendix 5	Results of operating activities for the last five reporting years (parent company)	appendix 5
Appendix 6	AFD approvals	appendix 6
Appendix 7	Summary table of AFD's and Proparco's loans in foreign countries	appendix 7
Appendix 8	Table of Proparco's approvals	appendix 8

9.2 INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission (EC) Regulation 809/2004 of 29 April 2004, the following information is incorporated by reference into this Registration Document:

- the parent company and consolidated financial statements for the year ended 31 December 2015, set out on pages 112 to 132 and 71 to 109 respectively, the related Statutory Auditors' reports, pages 133 and 110 respectively, and the management report which appears on pages 1 to 56 and 70 to 76 of the Registration Document submitted to the AMF on 26 April 2016 under Number D 16-0409;
- the parent company and consolidated financial statements for the year ended 31 December 2016, set out on pages 117 to 137 and 74 to 114 respectively, the related Statutory Auditors' reports, pages 138 and 115 respectively, and the Group's management report which appears on pages 1 to 54 and 72 to 79 of the Registration Document submitted to the AMF on 27 April 2017 under Number D 17-0454.

The parts of Registration Documents D16-0409 and D17-0454 are either not applicable to investors or are covered in another area of this Registration Document.

9.3 CROSS-REFERENCE TABLE OF THE REGISTRATION DOCUMENT

	Headings of appendix I to AMF regulation 809/2004	Registration Document reference
I	**Persons responsible**	
1.	Persons responsible for the information contained in the Registration Document	8.1
2.	Declaration of persons responsible for the Registration Document	8.2
II	**Statutory auditors**	
1.	Name and address of the issuer's financial statements' statutory auditors	8.3
2.	Statutory auditors who resigned due to dismissal or non-renewal of term	Not applicable
III	**Selected financial information**	
1.	Presentation of the historical financial information selected for the issuer for each financial year of the period covered by the financial information.	1.4
2.	Presentation of selected financial information for the interim periods	Not applicable
IV	**Risk factors (Risk factors specific to the issuer or its sector of activity)**	4.1
V	**Information about the issuer**	
1.	History and development of the company	1.1.1
2.	Investment	7.1.5
VI	**Overview of activities**	1.2
VII	**Organisation chart**	1.2.2, 1.4
VIII	**Real estate, factories and equipment**	
8.1	Large fixed assets (property, plant and equipment) and major related expenses	Note 6 page 110, 6.2.3.2.5
8.2	Environmental matters that may affect the issuer's use of its property, plant and equipment	2.2.2, 2.2.3, 2.2.4
IX	**Review of financial position and results**	
1.	Financial position	5, 6, 7
2.	Operating income	5, 6, 7
X	**Cash and capital**	
1.	Information about the issuer's capital (short-term and long-term)	4.2.3
2.	Statement of the source and amount of the issuer's cash flows and description thereof	6.1.4, 6.2.3.2.5.6
3.	Information about the borrowing conditions and the financing structure of the issuer	1.3
4.	Information about any restrictions on the use of capital that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	n/a
5.	Information about the expected sources of financing that will be required to honour the commitments referred to in points 5.2.3 and 8.1	n/a
XI	**Research and development, patents and licences**	n/a
XII	**Information about trends**	5.1.2, 5.1.4
XIII	**Earnings forecasts or estimates**	n/a
XIV	**Administrative, management, supervisory and executive bodies**	3.1
1.	Administrative and management bodies	3.2
2.	Conflicts of interest at administrative and management body level	3.3
XV	**Compensation and benefits**	3.2.3.3
1.	Value of the compensation paid and benefits in kind	3.2, 6.2.5 note 16.1, 7.3 note 36
2.	Total amount set aside or booked for pension, retirement and other benefits	6.2.3.2.5.1
XVI	**Operation of administrative, management and supervisory bodies**	3.1, 3.2

	Headings of appendix I to AMF regulation 809/2004	Registration Document reference
1.	End of current mandates	3.1
2.	Service agreements binding on the members of the administrative bodies	n/a
3.	Information about the Audit Committee and the Compensation Committee	3.1, 4.3.1
4.	Corporate governance applicable in the issuer's country of origin	Commercial Code Art. L225-37
XVII	Employees	2.1
1.	Number of employees	2.1.1.1
2.	Equity stakes and stock options	3.1.5, 3.2.2.1.1.2
3.	Issuer's Employee Profit Share Agreement	n/a
XVIII	Main shareholders	n/a
XIX	Related-party transactions	6.2.7.4
XX	Financial information about the issuer's assets and liabilities, financial position and income	
1.	Historical financial information.	5.6.7
2.	*Pro forma* financial information	5.6.7
3.	Financial statements	5.6.7
4.	Verification of annual historical financial information	6.3, 7.5, 7.6
5.	Date of most recent financial information	5.6.7
6.	Interim and other financial information	n/a
7.	Description of the dividend distribution policy and restriction applicable thereto	1.1.5, 6.1.5, 7.1.3
8.	Statement of governmental, judicial or arbitration proceedings	n/a
9.	Description of any material change in the group's financial or trading position	5.1.1, 5.1.5
XXI	Additional information	
1.	Share capital	1.1.2
2.	Memorandum of association and bylaws	1.1.1, 3.1.1, 4.3.1
XXII	Major contracts	n/a
XXIII	Information from third-parties, expert opinions and statements of interests	2.4, 5.6, 5.8, 5.10
XXIV	Documents available to the public	1.1.1
XXV	Information about investments	5.5.2

9.4 CROSS-REFERENCE TABLE BETWEEN THE CRR ARTICLES AND THE PILLAR III REPORT TABLES

CRR article	Title		Paragraph
435	Risk management objectives and policies		
	Risk management objectives and policies for each risk category	a/	4.3.1, 6.2.6
		b/	4.3.1, 6.2.6
		c/	6.2.6
		d/	4.2.4.1.3
		e/	8.2
		f/	8.2
	Corporate governance system	a/	3.1
		b/	3.1
		c/	3.1
		d/	3.1
		e/	3.1
436	Access to the activity of credit institutions and supervisory review of credit institutions and investment companies	a/	1.1
		b/	4.2.2.2
		c/	4.2.2.2
		d/	n/a
		e/	n/a
437	Capital	a/	4.2.3
		b/	4.2.3
		c/	4.2.3
		d/	4.2.3.1
		e/	4.2.3.1
		f/	n/a
			n/a
			n/a
438	Capital requirements	a/	4.2.3.2
		b/	4.2.3.2
		c/	4.2.3.2
		d/	4.2.3.2
		e/	n/a
		f/	4.2.3.2
439	Counterparty credit risk exposure	a/	6.2.6.1
		b/	4.2.4.1.3
		c/	n/a
		d/	n/a
		e/	4.2.4.1.1.2
		f/	4.2.4.1.2
		g/	n/a
		h/	n/a
		i/	n/a
440	Capital cushions		n/a
441	Systemic global importance indicators		n/a
442	Adjustments for credit risk	a/	6.2.3.2
		b/	6.2.3.2
		c/	4.2.4.1.1.1
		d/	4.2.4.1.1.2
		e/	4.2.4.1.1.2
		f/	4.2.4.1.1.3
		g/	4.2.4.1.1.4
		h/	4.2.4.1.1.4
		i/	4.2.4.1.1.5
443	Unencumbered assets		n/a

CRR article	Title		Paragraph
444	Use of ECAI		4.2.4.1.2
		a/	4.2.4.1.2
		b/	4.2.4.1.2
		c/	4.2.4.1.2
		d/	4.2.4.1.2
		e/	4.2.4.1.2
445	Market risk exposure		n/a
446	Operational risk		n/a
447	Non-trading book equities exposure	a/	6.2.3.2
		b/	4.2.4.1.1.2 & Note 3 to the financial statements
		c/	4.2.4.1.1.2 & Note 3 to the financial statements
		d/	4.2.4.1.1.2 & Note 3 to the financial statements
		e/	4.2.4.1.1.2 & Note 3 to the financial statements
448	Interest rate risk exposure for non-trading portfolio positions	a/	6.2.6.3
		b/	6.2.6.3
449	Securitisation exposure		n/a
450	Compensation policy		3.1
		b/	3.1
		c/	3.1
		d/	n/a
		e/	n/a
		f/	n/a
		g/	3.1
		h/	3.1
		i/	n/a
		j/	3.1
			3.1
			3.1
451	Leverage	a/	n/a
		b/	
		c/	4.2.3.4
		d/	4.2.3.4
		e/	4.2.3.4
			4.2.3.4
452	Use of NI approach for credit risk		n/a
453	Use of credit risk mitigation techniques	a/	4.2.4.1.3
		b/	4.2.4.1.3
		c/	4.2.4.1.3
		d/	4.2.4.1.3
		e/	4.2.4.1.3
		f/	4.2.4.1.3
		g/	4.2.4.1.3
454	Use of advanced measurement approaches for operating risk		n/a
455	Use of internal market risk models		n/a

9.5 APPENDIX 1 – AFD'S OPERATING SCOPE

Sub-Saharan Africa

South Africa	Ex-PSZ – countries in the Priority Solidarity Zone
Angola	Ex-PSZ
Benin	Ex-PSZ
Botswana	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Burkina Faso	Ex-PSZ
Burundi	Ex-PSZ
Cameroon	Ex-PSZ
Cape Verde	Ex-PSZ
Central African Rep.	Ex-PSZ
Comoros	Ex-PSZ
Rep. Congo	Ex-PSZ
Dem. Rep. Congo	Ex-PSZ
Côte d'Ivoire	Ex-PSZ
Djibouti	Ex-PSZ
Eritrea	Ex-PSZ
Ethiopia	Ex-PSZ
Gabon	Ex-PSZ
Gambia	Ex-PSZ
Ghana	Ex-PSZ
Guinea	Ex-PSZ
Equatorial Guinea	Ex-PSZ
Guinea-Bissau	Ex-PSZ
Kenya	Ex-PSZ
Liberia	Ex-PSZ
Madagascar	Ex-PSZ
Malawi	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Mali	Ex-PSZ
Mauritius	The Cicid meeting of 14 February 2002
Mauritania	Ex-PSZ
Mozambique	Ex-PSZ
Namibia	Ex-PSZ
Niger	Ex-PSZ
Nigeria	Ex-PSZ
Uganda	Ex-PSZ
Rwanda	Ex-PSZ
Sao Tome and Principe	Ex-PSZ
Senegal	Ex-PSZ
Seychelles*	The Cicid meeting of 14 February 2002
Sierra Leone	Ex-PSZ
Sudan	Ex-PSZ
Southern Sudan	Southern Sudan was included in the Ex-PSZ
Tanzania	Ex-PSZ
Chad	Ex-PSZ
Togo	Ex-PSZ
Zambia	The Cicid meeting of 19 June 2006 (opening up of AFD loans to all of the countries of Sub-Saharan Africa)
Zimbabwe	Ex-PSZ

* *Countries of the regional cooperation mandate*

The Middle East and North Africa (MENA)

Algeria	Ex-PSZ
Egypt	MAE/Minefi letter of 12 December 2003
Iraq	MAE/Minefi letter of 6 August 2010
Jordan	MAE/Minefi letter of 12 December 2003
Lebanon	Ex-PSZ
Libya	MAE/Minefi letter of 2 April 2012
Morocco	Ex-PSZ
Syria	MAE/Minefi letter of 12 December 2003
Palestinian areas	Ex-PSZ
Tunisia	Ex-PSZ
Turkey	MAE/Minefi letter of 12 December 2003
Yemen	Ex-PSZ

Asia and Pacific

Afghanistan	Included in the list of Ex-PSZ countries according to the 29 January 2004 letter from the regulators
Armenia	MAE/Minefi letter of 2 April 2012
Azerbaijan	MAE/Minefi letter of 2 April 2012
Bangladesh	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Cambodia	Ex-PSZ
China	MAE/Minefi letter of 12 December 2003
Cook Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Fiji*	The Cicid meeting of 28 January 1999 and 14 February 2002
Georgia	MAE/Minefi letter of 2 April 2012
India	The Cicid meeting of 19 June 2006 (experimental basis)
Indonesia	MAE/Minefi letter of February 2005 (post-tsunami), followed by the Cicid meeting of 19 June 2006
Kazakhstan	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Kiribati*	The Cicid meeting of 28 January 1999 and 14 February 2002
Laos	Ex-PSZ
Marshall Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Federal states of Micronesia*	The Cicid meeting of 28 January 1999 and 14 February 2002
Myanmar (Burma)	MAE/Minefi letter of 2 April 2012 ("post-crisis country" mandate) for four years. Joint letter of 25 September 2014 ("green, solidarity-based growth" mandate)
Nauru*	The Cicid meeting of 28 January 1999 and 14 February 2002
Niue*	The Cicid meeting of 28 January 1999 and 14 February 2002
Uzbekistan	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Pakistan	Joint MAE/Minefi decree of 25 January 2006 (post-earthquake for three years), then the Cicid of 19 June 2006
Papua New Guinea*	The Cicid meeting of 28 January 1999 and 14 February 2002
Philippines	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Solomon Islands*	The Cicid meeting of 28 January 1999 and 14 February 2002
Samoa*	The Cicid meeting of 28 January 1999 and 14 February 2002
Sri Lanka	MAE/Minefi letter of February 2005 (post-tsunami), followed by the Cicid meeting of 5 June 2009 and then by the MAE/Minefi letter of 2 April 2012
Tokelau territory*	The Cicid meeting of 28 January 1999 and 14 February 2002
Thailand	MAE/Minefi letter of 12 December 2003
Tonga*	The Cicid meeting of 28 January 1999 and 14 February 2002
Tuvalu*	The Cicid meeting of 28 January 1999 and 14 February 2002
Vanuatu	Ex-PSZ
Vietnam	Ex-PSZ

* *Countries of the regional cooperation mandate.*

Latin America and Caribbean

Antigua-and-Barbuda*	The Cicid meeting of 14 February 2002
Bolivia	Letter of 5 December 2014 - green, solidarity-based growth
Brazil	The Cicid meeting of 19 June 2006
Colombia	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Cuba	MAE/Minefi letter of 16 November 2016
Dominican Rep.*	Ex-PSZ
Dominica	The Cicid meeting of 14 February 2002
Ecuador	Letter of 25 September 2014 - green, solidarity-based growth
Grenada*	The Cicid meeting of 14 February 2002
Guyana*	The Cicid meeting of 28 January 1999 and 14 February 2002
Haiti	Ex-PSZ
Jamaica*	The Cicid meeting of 28 January 1999 and 14 February 2002
Mexico	The Cicid meeting of 5 June 2009 followed by the MAE/Minefi letter of 2 April 2012
Peru	MAE/Minefi letter of 5 March 2013
Saint Lucia*	The Cicid meeting of 14 February 2002
St-Kitts and Nevis*	The Cicid meeting of 14 February 2002
St-Vincent and the Grenadines*	The Cicid meeting of 14 February 2002
Suriname	Ex-PSZ

* *Countries of the regional cooperation mandate*

List of priority poor countries at 31 December 2017

Benin – Burkina Faso – Burundi – Comoros – Djibouti – Ethiopia – Haiti – Guinea – Madagascar – Mali – Mauritania – Niger – Central African Republic–Democratic Republic of Congo – Senegal – Chad – Togo.

9.6 APPENDIX 2 – AFD BALANCE SHEET USING FRENCH STANDARDS (SIMPLIFIED)

AFD balance sheet at 31 December 2017

ASSETS

In millions of euros	2017	2016	Change
Loans (net outstanding)	31,946	29,848	2,098
of which net loans on AFD's own behalf	*30,295*	*29,191*	*1,104*
Gross outstandings	32,241	30,116	2,125
of which loans on AFD's own behalf	*30,590*	*29,459*	*1,131*
of which loans on behalf of the State	*1,651*	*657*	*994*
(-) individual impairments	446	424	22
(+) accrued interest	151	156	-5
IMF-PRGF transactions	1,475	1,557	-82
Investment portfolio	778	800	-22
Short-term cash assets	4,825	2,936	1,889
Equity stakes	749	717	32
Fixed assets	224	218	7
Accruals and other assets	932	1,172	-241
TOTAL	**40,929**	**37,249**	**3,680**

LIABILITIES

In millions of euros	2017	2016	Change
Market borrowings	29,052	25,840	3,212
Borrowings from French Treasury	1,375	991	384
Current accounts	454	443	12
IMF-PRGF transactions	1,475	1,556	-82
Allocated public funds	76	78	-2
Accruals and other liabilities	2,048	2,097	-49
Provisions	1,195	1,177	19
Capital and retained earnings	5,040	4,929	111
Net income	215	138	76
Unallocated income	0	0	
TOTAL	**40,929**	**37,249**	**3,680**

9.7 APPENDIX 3 – AFD INCOME STATEMENT USING FRENCH STANDARDS (SIMPLIFIED)

Expenses *In millions of euros*	2017	2016	Change
Expenses on borrowings	1,098.1	1,131.7	-33.6
• Interest on borrowings	421.2	450.1	-28.9
• Expenses on swaps	664.8	683.1	-18.4
• Net foreign exchange balance	12.2	-1.5	13.7
Miscellaneous financial expenses	8.6	16.5	-7.9
Expenses on IMF-PRGF transaction	5.2	12.8	-7.6
TOTAL EXPENSES ON BANKING OPERATIONS	1,112.0	1,161.0	-49.1
Net of expenses on IMF-ESAF transaction	*1,106.7*	*1,148.2*	*-41.5*
NET BANKING INCOME	568.5	539.1	29.4
Overheads	348.4	309.1	39.3
Staff costs	235.7	209.7	26.0
wages and bonuses	156.8	139.5	17.2
social security contributions	64.6	58.5	6.0
profit sharing	10.5	7.2	3.3
taxes and similar payments on remuneration	15.4	13.2	2.2
provisions for retirement-employee benefits	1.7	4.8	-3.0
rebilling banks' staff	-13.3	-13.6	0.3
other			0.0
• Taxes and similar payments	7.1	7.7	-0.6
• Other general expenses	105.6	91.7	13.9
Depreciation/amortisation expenses on property, plant and equipment and intangible assets (net)	20.2	17.7	2.5
Total expenses on non-banking operations	368.5	326.8	41.7
GROSS OPERATING INCOME	200.0	212.4	-12.4
Cost of risk	9.8	-74.4	84.2
Net provisions for unpaid interest	-21.8	-16.0	-5.8
Net provisions for risk and expenses	36.0	-56.7	92.8
Loss of principal on bad loans	-4.4	-1.6	-2.8
Operating income	209.8	138.0	71.8
Gains or losses on fixed assets	5.4	0.4	5.0
Income from operations	215.3	138.4	76.9
Net exceptional transactions	-0.7	-0.2	-0.5
Corporate tax	0.0	0.0	0.0
NET INCOME	214.6	138.2	76.4

Income *In millions of euros*	2017	2016	Change
Income on loans and guarantees	1,329.8	1,352.9	-23.1
• Interest and commissions on loans and guarantees	823.9	803.4	20.5
• Income on swaps	616.5	651.4	-34.9
• Net provisions for unpaid interest	-2.4	-1.3	-1.1
• Loss of interest income	-4.4	-0.5	-3.9
• Net provisions for sovereign outstandings	-59.2	-57.0	-2.1
• Recoveries on subsidy account for SAL and mixed loan-grants	5.8	7.0	-1.1
• Repayment of Proparco margin	-50.4	-50.1	-0.3
Subsidies	197.9	198.9	-1.0
Investment income	18.6	25.9	-7.3
Income from equity stakes	17.5	12.9	4.6
Commissions on operations	60.8	52.6	8.1
• AFD fees, donations, SAS, SAL, C2D	41.9	38.7	3.2
• Other commissions	18.9	13.9	5.0
Ancillary income and miscellaneous	49.8	43.5	6.3
Income from IMF-PRGF transaction	6.0	13.4	-7.5
TOTAL INCOME ON BANKING OPERATIONS	1,680.5	1,700.2	-19.7
Net of income from IMF-PRGF transaction	*1,674.5*	*1,686.7*	*-12.2*

9.8 APPENDIX 4 – KEY RATIOS AND INDICATORS

The following data are from AFD's financial statements.

In thousands of euros	2017	2016
Net banking income	**568,492**	**539,123**
Staff costs	41.5%	38.9%
Net banking income		
Cost-to-income ratio		
General expenses	64.8%	60.6%
Net banking income		
Benefit-cost ratio		
Net earnings	4.7%	3.1%
Capital + retained earnings*		
Efficiency ratio		
Net earnings	0.52%	0.37%
Balance sheet total		
Staff		
Number of employees (average)	1,978	1,811
Total payroll costs	235,661	209,660
Of which social and cultural activities	20.6	16.3
Net income	**214,604**	**138,213**
Distributed income	**27,642**	**36,002**

* *Capital and retained earnings exclude the Reserve for general banking risk, or FRBG (€460M).*

9.9 APPENDIX 5 – RESULTS OF OPERATING ACTIVITIES FOR THE LAST FIVE REPORTING YEARS (PARENT COMPANY)

	2017	2016	2015	2014	2013
Capital + Retained earnings + Income *(in millions of euros)*	**4,794**	**4,607**	**2,097**	**1,941**	**1,858**
Net banking income *(in millions of euros)*	568	539	533	449	441
Net income *(in millions of euros)*	215	138	180	121.3	92.9
Net income/capital + retained earnings + income	4.48%	3.00%	8.58%	6.25%	5.00%
Net income/balance sheet total	0.52%	0.37%	0.51%	0.40%	0.35%
Staff					
Number of employees (average)	1,978	1,811	1,7151	1,685	1,667
Total payroll costs *(in millions of euros)*	236	210	193.8	184.8	184.3
of which social and cultural initiatives *(in millions of euros)*	20.6	16.3	13	14.3	15.5

9.10 APPENDIX 6 – AFD APPROVALS

Typology of AFD's approvals

AFD'S APPROVALS BY TYPE - FOREIGN COUNTRIES

	APPROVALS			DISBURSEMENTS		
In millions of euros	2017	2016	% of total in 2017	2017	2016	% of total in 2017
1– Ongoing operations	**6,576**	**5,859**	**99%**	**3,693**	**3,413**	**99%**
Loans	**5,916**	**5,436**	**89%**	**3,404**	**3,140**	**91%**
Sovereign concessional loans	3,997	3,847	60%	2,609	1,954	70%
of which loans with direct concessionality	*2,106*	*2,239*	*32%*	*1,005*	*1,012*	*27%*
of which loans with indirect concessionality	*1,890*	*1,608*	*28%*	*1,604*	*942*	*43%*
Non-sovereign loans	1,919	1,589	29%	795	1,186	21%
of which concessional loans	*652*	*457*	*10%*	*274*	*428*	*7%*
of which non-concessional loans	*1,268*	*1,132*	*19%*	*521*	*758*	*14%*
of which sub-participations granted to Proparco	*250*	*220*	*4%*	*91*	*224*	*2%*
Ongoing subsidies	**407**	**290**	**6%**	**278**	**270**	**7%**
Project and FEXTE subsidies	335	218	5%	201	211	5%
Funding for NGOs	72	72	1%	77	59	2%
Guarantees	**153**	**132**	**2%**	**0**	**0**	**0%**
Equity stakes	**100**	**0**	**2%**	**10**	**3**	**0%**
2– Mandate-specific operations	**63**	**33**	**1%**	**55**	**33**	**1%**
Global Budget Support (GBS) subsidies	63	33	1%	55	33	1%
Mesofinance actions	0	1	0%		0	0%
TOTAL FOR FOREIGN COUNTRIES	**6,639**	**5,892**	**100%**	**3,748**	**3,446**	**100%**

AFD APPROVALS BY TYPE – FRENCH OVERSEAS DEPARTMENTS AND COLLECTIVITIES

	APPROVALS		VARIANCE 2017/2016	
In millions of euros	2017	2016	€M	%
Ongoing operations	**985**	**1,053**	**-68**	**-6%**
Loans	**981**	**1,053**	**-72**	**-7%**
Public sector	*842*	*939*	*-97*	*-10%*
Subsidised loans to local authorities	*229*	*338*	*-109*	*-32%*
Other loans – public sector	*613*	*601*	*12*	*2%*
Private sector	*139*	*114*	*25*	*22%*
Direct financing	*139*	*109*	*30*	*27%*
Banks	*0*	*5*	*-5*	*-100%*
Mayotte subsidy	2	0	2	
Guarantees[(1)]	**2**	**0**	**2**	
Guarantees granted to the public sector		*0*	*0*	
Guarantees granted to the banking sector		*0*	*0*	
French Overseas Department Fund		*0*	*0*	
SPM and Mayotte guarantee funds	*2*	*0*	*2*	
Equity stakes	**0**	**0**	**0**	

(1) The guarantees presented above do not include Sogefom approvals (€22.4M in 2017) and Fogap approvals (€1.1M in 2017).

9.11 APPENDIX 7 – SUMMARY TABLE OF AFD'S AND PROPARCO'S LOANS IN FOREIGN COUNTRIES[1]

AFD and Proparco account for 99% of the Group's balance sheet total and represent the bulk of consolidated income (99% of NBI). The geographic distribution of loans granted by AFD on its own behalf and by Proparco in foreign countries is presented in the table below. Sub-participation loans with Proparco (joint financing) at AFD's risk are not included in AFD's figures.

Situation at 31 December 2017 of AFD's and Proparco's loans in foreign countries:

	DISBURSEMENTS		OUTSTANDINGS		UNDISBURSED BALANCE	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
AFGHANISTAN	-	-	-	-	-	-
SOUTH AFRICA	50,461	43,704	828,675	80,910	347,527	9,046
ALGERIA	-	-	82,072	-	-	-
ANGOLA	-	-	-	-	124,948	-
ARGENTINA	-	-	-	8,864	97,309	-
ARMENIA	25,000	-	85,194	16,660	40,000	9,163
AZERBAIJAN	-	-	15	0	112,500	-
BANGLADESH	17,156	11,618	30,957	44,627	321,043	24,200
BENIN	9,499	-	15,419	16,256	156,501	-
BURMA	-	1,546	-	21,057	157,000	2,542
BOLIVIA	100,000	-	100,208	7,140	169,642	-
BRAZIL	141,455	90,000	1,355,485	342,095	221,060	-
BURKINA FASO	46,483	15,000	167,589	13,636	178,511	-
BURUNDI	-	-	-	-	-	-
CAMBODIA	67,097	6,664	176,285	36,286	167,199	12,495
CAMEROON	200,115	3,000	712,970	47,119	422,474	-
CAPE VERDE	23,343	-	45,180	-	15,094	-
CENTRAL AFRICAN REPUBLIC	-	-	1,317	-	-	-
CHILE	-	-	-	31,903	-	33,319
CHINA	68,941	-	739,789	14,967	364,632	-
COLOMBIA	-	-	1,582,556	-	270,990	24,000
COMOROS	-	-	29	-	-	-
CONGO	7,063	-	26,379	-	294,752	-
COOK ISLANDS	-	-	324	-	-	-
COSTA RICA	-	17,698	-	81,180	-	16,660
CÔTE D'IVOIRE	-	38,000	198,579	154,135	350,000	20,000
CUBA	-	-	-	-	25,000	-
DJIBOUTI	2,902	-	42,571	36	416	-
DOMINICAN REP.	21,610	3,332	428,681	61,885	64,508	12,495
EL SALVADOR	-	17,985	-	32,891	-	15,618
EGYPT	237,572	8,330	641,786	18,839	783,243	133,491
ECUADOR	28,338	8,330	117,174	25,971	382,528	16,660
ETHIOPIA	25,503	-	175,290	21	246,539	13,328
FRANCE	-	-	25,000	-	-	-
GABON	79,066	12,564	260,572	12,567	402,380	19,936
GAMBIA	-	-	-69	-	-	-
GEORGIA	-	11,896	-	36,538	60,000	26,322
GHANA	29,171	2,314	392,773	103,897	144,150	24,990
GRENADA	-	-	30	-	-	-
GUATEMALA	-	-	-	0	-	-
GUINEA	-	-	38,592	-	60,000	-
GUINEA-BISSAU	-	-	-	-	-	-
HAITI	-	-	-	386	-	-

(1) Not restated for IFRS adjustments, outstandings remitted, convertible bonds and Proparco outstandings on behalf of third parties.

	DISBURSEMENTS		OUTSTANDINGS		UNDISBURSED BALANCE	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
HONDURAS	-	28,515	-	82,938	-	5,921
DOMINICA	-	-	22,310	-	-	-
INDIA	164,766	-	617,080	119,405	867,953	27,762
INDONESIA	294,643	-	1,183,136	13,072	304,761	-
IRAQ	-	-	381,679	2,555	48,321	,330
JAMAICA	-	12,754	-	63,332	-	51,897
JORDAN	140,097	28,258	628,469	162,964	260,186	42,938
KENYA	50,337	15,223	748,615	207,008	990,278	57,896
LAOS	-	-	9,838	32,759	-	-
LEBANON	6,210	-	176,711	33,727	164,051	-
LIBERIA	-	-	-	2,931	-	-
LIBYA	-	-	-	-	-	-
MADAGASCAR	2,918	11,156	44,900	16,159	112,082	13,844
MALDIVES	277	-	14,869	-	131	-
MALI	47,716	9,400	134,240	14,510	267,371	1,524
MOROCCO	257,781	-	2,107,962	110,944	635,251	6,000
MAURITIUS	18,364	-	318,347	24,667	87,850	-
MAURITANIA	6,662	-	142,474	-	23,626	-
MEXICO	180,000	11,482	1,181,950	20,238	278,420	11,841
MONGOLIA	-	-	-	6,676	-	-
MONTENEGRO	-	-	-	19,994	-	-
MOZAMBIQUE	8,053	-	195,547	4,427	51,070	77,712
MULTI-COUNTRY	91,610	44,230	1,714,932	310,561	1,776,959	234,445
NAMIBIA	29,486	-	45,102	1,346	15,864	-
NEPAL	-	-	-	-	-	-
NICARAGUA	-	8,330	-	50,120	-	-
NIGER	13,849	3,208	89,064	20,100	172,837	24,900
NIGERIA	56,986	6,659	231,282	187,821	927,220	98,921
UGANDA	44,544	431	85,746	62,912	488,050	76,635
UZBEKISTAN	-	-	-	-	23,530	-
PAKISTAN	114,660	2,565	200,659	34,782	552,701	10,169
PANAMA	-	27,489	-	115,841	-	
PARAGUAY	-	24,990	-	35,261	-	-
PERU	1,667	876	60,893	62,296	249,607	30,856
PHILIPPINES	-	-	283,270	-	168,894	-
DR CONGO	-	-	70,130	3,786	-	6,247
RWANDA	-	-	7,289	-	-	12,495
SAINT LUCIA	-	-	3,719	-	-	-
SAO TOME	-	-	-	-	-	-
SENEGAL	54,656	33,506	626,530	55,409	481,102	12,500
SEYCHELLES	-	-	3,300	-	23,200	-
SIERRA LEONE	-	-	-	-	-	-
SOMALIA	-	-	93,483	-	-	-
SUDAN	-	-	-	-	-	-
SOUTHERN SOUDAN	-	-	-	-	-	-
SRI LANKA	9,859	19,710	89,710	108,033	327,223	20,825
ST-VINCENT-GREN	-	-	1,000	-	-	-
SURINAME	2,225	-	37,783	-	12,307	-
SYRIAN REP.	-	-	-	-	-	-
TAJIKISTAN	-	-	-	3,094	-	-
TANZANIA	26,671	-	118,803	27,548	389,143	9,996
CHAD	40,000	-	40,000	7,692	-	-
PALES. AUTON. AREAS	-	6,664	2,500	6,865	25,000	1,666
THAILAND	3,000	-	3,000	-	17,000	-

	DISBURSEMENTS		OUTSTANDINGS		UNDISBURSED BALANCE	
In thousands of euros	AFD	Proparco	AFD	Proparco	AFD	Proparco
TOGO	-	-	-	28,500	40,000	-
TUNISIA	86,376	33,346	881,168	89,785	723,739	-
TURKEY	352,658	37,817	1,111,416	450,053	199,792	61,813
URUGUAY	-	-	-	11,245	-	-
VANUATU	-	-	1,100	-	-	-
VIETNAM	19,372	-	851,357	18,941	467,502	-
YEMEN	-	-	1,369	-	-	-
ZAMBIA	6,353	8,330	82,540	54,560	84,939	-
ZIMBABWE	-	-	-	5,413	-	-
TOTAL	**3,312,570**	**666,920**	**22,916,593**	**3,900,136**	**17,237,902**	**1,369,727**
AGGREGATE TOTAL	**3,979,490**		**26,816,729**		**18,607,629**	

9.12 APPENDIX 8 – TABLE OF PROPARCO'S APPROVALS

Countries	Own lending		Capital		Other investments		Guarantees	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016
Côte d'Ivoire	0.0	33.0	20.0	0.0	0.0	0.0	0.0	0.0
Ghana	12.52	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mali	4.57	0.0	0.0	0.0	0.0		0.0	
Nigeria	60.41	0.0	0.0	18.18	0.0	0.0	0.0	0.0
Niger	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Senegal	12.5	40.93	0.0		0.0		0.0	
Multi-country West Africa	0.0	30.0	0.0	1.0	0.0	0.0	0.0	44.9
WEST AFRICA	**90.01**	**113.93**	**20.0**	**19.18**	**0.0**	**0.0**	**0.0**	**44.9**
Cameroon	3.0	0.0	0.0	0.0	0.0	0.0	19.06	0.0
Ethiopia	0.84	0.84	0.0		0.0		0.0	
Kenya	27.77	0.0	31.0	0.0	0.0	0.0	0.0	0.0
Uganda	30.73	28.72	0.0	0.0	0.0	0.0	16.81	0.0
RDC	0.0	6.61	0.0	0.0	0.0	0.0	0.0	0.0
Rwanda	14.03	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tanzania	0.0	10.78	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country Central and East Africa	15.0	0.0	0.0	24.26	0.0	0.0	0.0	0.0
CENTRAL AND EAST AFRICA	**91.38**	**46.94**	**31.0**	**24.26**	**0.0**	**0.0**	**35.87**	**0.0**
South Africa	15.0	26.94	0.0	0.0	0.0	0.0	0.0	0.0
Namibia	0.0	0.0	0.0	0.0	0.0	0.0	37.0	0.0
Mozambique	38.23	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country Southern Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SOUTHERN AFRICA	**53.23**	**26.94**	**0.0**	**0.0**	**0.0**	**0.0**	**37.0**	**0.0**
MULTIPLE COUNTRIES SUB-SAHARAN AFRICA	**15.0**	**30.0**	**42.69**	**42.11**	**9.41**	**0.0**	**0.0**	**0.0**
Madagascar	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mauritius	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INDIAN OCEAN	**15.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Egypt	63.56	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Palestinian autonomous areas	0.0	9.44	0.0	0.0	0.0	0.0	0.0	0.0
Morocco	16.0	25.0	10.0	0.0	0.0	0.0	0.0	0.0
Tunisia	0.0	30.0	8.6	0.0	0.0	0.0	0.0	0.0
Turkey	51.0	103.4	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country North Africa	0.0	0.0	10.0	8.75	0.0	0.0	0.0	0.0
Iraq	0.0	8.97	0.0	0.0	0.0	0.0	0.0	0.0
Jordan	0.0	44.37	0.0	0.0	0.0	0.0	0.0	0.0
NORTH AFRICA AND MEDITERRANEAN	**130.56**	**221.18**	**28.6**	**8.75**	**0.0**	**0.0**	**0.0**	**0.0**

Countries *In millions of euros*	Own lending 2017	Own lending 2016	Capital 2017	Capital 2016	Other investments 2017	Other investments 2016	Guarantees 2017	Guarantees 2016
Armenia	9.33	17.62	0.0	0.0	0.0	0.0	0.0	0.0
Burma	0.0	7.18	0.0	0.0	0.0	0.0	0.0	0.0
Bangladesh	10.66	12.25	0.0	0.0	0.0	0.0	0.0	0.0
Cambodia	2.64	22.83	3.7	0.0	0.0	0.0	0.0	0.0
Georgia	35.16	13.12	0.0	0.0	0.0	0.0	0.0	0.0
India	18.0	0.0	0.0	0.99	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	12.69	13.45	0.0	0.0	0.0	0.0
Kazakhstan	8.46	-	-	-	0.0	-	0.0	-
Pakistan	4.69	4.42	0.0	0.0	0.0	4.81	0.0	0.0
Sri Lanka	21.15	27.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country Asia	0.0	6.89	26.44	9.44	0.0	0.0	0.0	0.0
TAJIKISTAN	0.0	0.0		0.0	0.0	0.0	0.0	0.0
ASIA	110.1	111.32	42.83	23.88	0.0	4.81	0.0	0.0
Brazil	50.0	0.0	0.0	11.31	0.0	0.0	0.0	0.0
Chile	0.0	23.6	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
El Salvador	12.69	29.38	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	30.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ecuador	0.0	27.58	0.0	0.0	0.0	0.0	0.0	0.0
Guatemala	0.0	0.0	0.0	0.0	0.0	1.51	0.0	0.0
Honduras	4.03	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica	45.78	26.44	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	17.24	4.24	0.0	0.0	0.0	0.0	0.0
Nicaragua	0.0	8.75	0.0	0.0	0.0	0.0	0.0	0.0
Panama	20.0	17.27	0.0	0.0	0.0	0.0	0.0	0.0
Paraguay	0.0	28.74	0.0	0.0	0.0	0.0	0.0	0.0
Peru	0.0	27.69	0.0	0.0	0.0	0.0	0.0	0.0
Dominican Rep.	14.41	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Uruguay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country Lat. Am & Caribbean	0.0	15.69	35.98	0.0	0.0	0.0	0.0	0.0
LATIN AMERICA CARIBBEAN	201.22	222.38	40.22	11.31	0.0	1.51	0.0	0.0
Réunion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Martinique	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country French Overseas Departments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
THE FRENCH OVERSEAS COLLECTIVITIES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Montenegro	0.0	0.0	0.0		0.0		0.0	
EUROPE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-country	50.38	40.0	39.23	65.47	0.0	0.0	0.0	0.0
MULTI-COUNTRY	50.38	40.0	39.23	65.47	0.0	0.0	0.0	0.0
TOTAL	756.88	812.69	244.56	194.95	9.41	6.32	72.87	44.9

PHOTOS CREDITS

Cover and chapter 8: Benjamin Petit - Shutterstock • Content and chapter 2, 5 et 6: Cyril le Tourneur d'Ison • Chapter 1: Jorge Cardoso/ AFD • Chapter 3: Didier Gentilhomme • Chapter 4: Julien Girardot • Chapter 7: Laurent Weyl / Collectif ARGOS • Chapter 9: Marc Le Chelard

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Agence Française de développement
5 Rue Roland Barthes, 75012 Paris
01 53 44 31 31
http://www.afd.fr