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# **Half-year financial report**

**30 June 2021**

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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.

## A. Management report

### 1.1. AFD Group activities

#### Approvals

The total amount of approvals granted on its own behalf (AFD including Proparco refinancing) at 30 June 2021 amounted to €2,540M, compared with €4,036M at 30 June 2020, a decrease of €1,495M. This decrease concerns both activities on its own behalf (foreign countries and French Overseas Departments and Collectivities) and activities on behalf of third parties. It must be put in perspective with the actions carried out by AFD in the first half of 2020 in response to the Covid crisis. These actions led to the accelerated appraisal of operations and higher levels of activity during and after the first half-year than seen traditionally.

**The Group's current activity in foreign countries**, which totalled €1,979M, was marked by a sharp decrease of 30% in approvals at 30 June 2021 (-€847M), mainly related to AFD's activity on its own behalf (-€1,113M) and partially offset by Proparco's activity which was up by around €400M.

Activities on behalf of third parties in foreign countries were down €138M at 30 June 2021. This decrease is mainly due to activity on behalf of the other lessors which stood at -€118M and activity on behalf of the State which remained relatively stable (-€20M).

**In French Overseas Departments and Collectivities**, approvals granted fell by €263M. These amounted to €111M at 30 June 2021, compared with €374M the previous year. In the first half of 2020, emergency funding of €240M was granted in New Caledonia.

#### Disbursements

Disbursements (AFD and Proparco) on their own behalf amounted to €2,913M at 30 June 2021, compared with €3,388M at 30 June 2020, a decrease of 14%, mainly due to payments on sovereign loans.

#### ➤ Activities in foreign countries

With regard to current activity in foreign countries, total disbursements stood at €2,016M at 30 June 2021, compared with €2,326M at 30 June 2020 (-13%). The change in disbursements for the different types of activities over the period can mainly be explained by:

- A marked decrease in sovereign loans (-€531M or -37%) linked to a decrease in loans with direct concessionality (-€290M or -35%) and a decrease in loans with indirect concessionality (-€241M or -38%);
- An increase in non-sovereign loans (+€77M) linked to an increase in non-concessional loans (+€84M or +36%) and slight decrease in concessional non-sovereign loans (-€7M or -2%);
- An increase of €80M in grant disbursements (+47%).

➤ Activities in the French Overseas Departments and Collectivities

AFD's payments in the French Overseas Departments and Collectivities were close to previous years, following an exceptional year in 2020 marked by the launch of the “*Outre-mer en commun*” initiative launched on 25 May 2020. With a budget of €1bn, of which €750M can be mobilised immediately, this initiative is aimed at local authorities and overseas companies in response to the health crisis and its economic impact. Disbursements amounted to €265M at 30 June 2021, compared with €522M at 30 June 2020. The sharp increase in disbursements during the first half of 2020 was mainly due to the disbursements of emergency loans in New Caledonia and French Polynesia.

Commitments stood at €363M in the first half of 2021, compared with €374M a year earlier.

➤ Proparco's activity

Proparco's disbursements for foreign country loans and equity investments have increased and stood at €657M in the first half of 2021, compared with €548M for the same period of 2020.

➤ Activity on behalf of third parties

Activity on behalf of third parties fell by €40M:

- A decrease (-€40M) in payments on behalf of the State,
- Payments on behalf of other lessors were stable.

## 1.2. Recent changes and prospects

### 1.2.1. Health crisis and AFD Group responses

Agence Française de Développement (AFD) has been largely active since March 2020 to provide responses to the health and economic emergency and translate the French government's commitments to support priority countries for French official development assistance into action.

➤ “*Santé en commun*” initiative No. 1

Approved on 2 April 2020 by AFD's Board of Directors, the “Covid-19 - *santé en commun*” initiative was an initial response to the health crisis and its economic and social consequences **and mainly benefits African countries**. It includes the mobilisation of **€150M** in grants on the 209 and 110 programmes and €1bn in loans, as well as the restructuring of existing loans and grants to include components that respond to the needs arising from the health crisis.

The “*Santé en commun*” initiative is organised around three priority areas of intervention and has resulted in the following actions:

- **Diagnostic and epidemiological surveillance capacity building:** to prevent the spread of the virus on the continent, the first grants of this initiative were dedicated to projects focused on the equipment of laboratories, strengthening their detection capacities, producing inexpensive tests, as well as staff training. As a result, €12M was awarded to recognised partners, including five institutions of the Institut Pasteur network.
  - *In total, the capacities of 80 laboratories were strengthened through the purchase of equipment, consumables, protective equipment and staff training.*
- **Securing care pathways,** from screening to treatment of severe cases: this support from AFD, for example, took the form of €20M in financial support for response plans in Mauritania, Niger, Burkina Faso and Chad.
  - *In total, 27 million people now have improved access to healthcare thanks to AFD funding in response to the Covid crisis.*
- **Mitigate the social consequences of the crisis:** containment measures taken in several countries have had a very harmful impact on the most vulnerable populations, particularly women. Several projects to support populations and economies have been put in place to support and mitigate the consequences of these measures. In Togo, for example, AFD supported the government's programme to provide social benefits to informal sector workers, mostly women, who have lost their daily income. In Rwanda, AFD supports, alongside the World Bank, the national response plan and the emergency social assistance measures implemented by the government.
  - *In total, 14 million people have benefited from improved social protection and 14 countries were supported by AFD as part of the Covid-19 response to implement social protection measures.*

The implementation of the initiative involved the **accelerated appraisal** of operations by the AFD teams at both head office and the local offices, before submitting them to the decision-making bodies which met on a regular basis to assess the projects presented.

At the end of June 2021, i.e. 16 months after its launch, the initiative had financed **63 projects** (including the reallocation of 30 existing projects), spread over **33 countries** (26 African countries, 2 Caribbean countries, 5 Asian countries) for a total of **€1,119M**, of which €78M in project grants, €72M in programme aid, €26M in development debt contracts (C2D), €923M in loans to governments and public banks and €9M in delegated loans. 99% of these projects have been fully approved and 80% have been disbursed.

AFD has notably relied on French public and private research institutes (Inserm, IRD, Fondation Mérieux, Réseau des Instituts Pasteur - total funding of €18.7M), regional health monitoring platforms (funding of €12.7M) and NGOs in the field<sup>1</sup> (more than €32M of financing).

This initiative is also part of the “Team Europe” programme launched by the European Union in April, involving the Member States and their financial institutions, set up to support partner countries in the fight against the pandemic.

The “*Santé en commun*” initiative was accompanied by a more comprehensive “Covid-19 response” aimed at supporting weakened economies in the **rest of the world**, in accordance with trajectories that comply with the Sustainable Development Goals and the Paris Agreement. In total, AFD committed €2.8bn to the Covid-19 response in 2020.

Expertise France, which will join AFD Group in 2022, set up a Covid-19 assistance and technical support platform in the health sector in Sub-Saharan Africa in March 2020. This platform is an interdisciplinary mechanism that collates information from partner countries as well as the latest global scientific and technical knowledge about the pandemic.

Expertise France has also set up a platform to help manage the economic and financial consequences of the crisis in Francophone Africa. This remote assistance, available on request, was intended to provide support to governments in the formulation and implementation of economic recovery policies, in particular related to tax and customs issues, budget management, the execution of public expenditure and support for the private sector.

Finally, Expertise France has shared an online training course for those working in civil protection in Francophone Africa. This module, which can be accessed free of charge, shares good practices in terms of preventing, managing and mitigating biological risk. This training, initially developed by and for French civil protection actors, has been distributed to approximately twenty French-speaking African countries.

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<sup>1</sup> The French health NGOs funded under “*Santé en commun*” are: Alima, the Red Cross movement, Action Against Hunger, AMREF, Médecins du Monde, Solthis, Chaîne de l'Espoir, ACTED, Fédération Handicap International, and SOS Médecins.

➤ “*Santé en commun*” initiative No. 2

After a year of crisis, with the gradual spread of virus variants and successive acute epidemic waves, AFD decided to continue and strengthen its support for the response to Covid-19 and to continue this over the long term.

The continuation of the “*Santé en commun*” initiative is constructed around support, complementarity and subsidiarity with the ACT-A multilateral system, which is strongly supported by France. In response to a long-term crisis and beyond the emergency, the initiative will run over the two years 2021 and 2022, with a view to strengthening health systems and social protection floors over the long term.

The Initiative is primarily intended for countries in Africa and the Indian Ocean (with a concentration of the State’s budgetary effort) but has been extended to other oceanic basins, the Balkans and the Caucasus, the Middle East, Latin America and Asia.

The partnership approach is sought with French and European operators of expertise, civil society organisations and the private sector as well as multilateral and European partners to support the response and vaccination plans validated by the WHO (World Health Organization), notably through Initiatives Equipe Europe.

The continuation of the “*Santé en commun*” initiative is the result of a coordinated response by AFD Group. Expertise France provides technical assistance and implements capacity building projects. Proparco is mobilised to help finance the private sector, notably to support the development of locally-produced goods and equipment to combat Covid-19.

The “*Santé en commun*” Initiative is structured around strategic axes which form the pillars of ACT-A:

- Build capacities for the diagnosis, sequencing and monitoring of Covid-19 cases. For example, the €10M Afroscreen project (awarded and signed in July 2021) strengthens the sequencing capacities of the virus in 13 African countries and the health monitoring strategies of the African Union and its member states. It is supported by an alliance of French operators (Institut Pasteur network, IRD, INSERM and ANRS-MIE).
- Building care capacity. For example, in Madagascar, AFD and other European partners have contributed €500K to the ACF/CARE/MDM/ASOS NGO consortium’s project, which works to strengthen the preparation and response to the epidemic at an individual, community and institutional level with a “gender” approach.

- Supporting vaccination. Research is underway into a credit line with Afreximbank to support the AVATT initiative and facilitate the purchase of vaccines for African Union member states.
- Strengthening health systems and social protection floors as part of the fight against the epidemic. For example, AFD is continuing and strengthening its support for the Rwanda response plan, via a loan of €60M for the vaccination campaign and social measures.
- Building local production capacities. Proparco has granted a loan of €156M to the South African producer ASPEN, which is expanding its role in the fight against the Covid-19 pandemic in Africa and has partnered with Johnson & Johnson to prepare the Janssen vaccine at its factory in South Africa. AFD is supporting (with initial funding of €1.8M granted and signed in July 2021) the Covid-19 vaccination production project by the Institut Pasteur Foundation in Dakar.

➤ Suspension of debt repayment

At their meeting on 15 April 2020, the G20 finance ministers announced their decision to suspend debt service for countries on the International Development Association (IDA) list or classified as Least Developed Countries (LDCs) and called upon private and multilateral creditors to do the same. Numerous moratoriums have been granted by AFD as part of this process. These moratoriums consist of deferring final payments due between 1 May and 31 December 2020 for a few months (phase 1).

At the end of June 2021, AFD had signed agreements or amendments to initial agreements with 25 eligible countries to implement the extension of the debt service suspension initiative (phase 2) which applies to final payments due between 1 January and 30 June 2021.

➤ Choose Africa Resilience

In response to the economic crisis caused by the health crisis, Proparco has offered its customers flexible solutions such as the deferral and rescheduling of their loan repayments, in a context of strong liquidity pressure. At the same time, Proparco set up the Choose Africa Resilience initiative which is dedicated to small and medium-sized companies on the African continent that have been affected by the economic crisis. This new Choose Africa component represents a total amount of €1bn, which includes a support system based on the French model of State-guaranteed loans, mobilising a €160M State guarantee implemented by local banks for VSEs and SMEs, including those owned by French nationals.

This initiative notably aims to:

- Support **the formal economy**, and in particular the local financial systems and the most heavily impacted VSEs/SMEs, (i) by supporting their liquidity via a loan package and risk-sharing instruments (ARIZ guarantees), (ii) by supporting French entrepreneurs

abroad to enable them to maintain their economic activity and their jobs via financing guarantees provided to these companies through its vast network of local banks; (iii) by working directly with companies operating in sectors severely affected by the crisis, through lines of credit and equity and quasi-equity investments, notably through the FISEA + fund. On a case-by-case basis, companies at the forefront of the health and economic response (in the health and agriculture sector in particular) may also be supported by emergency subsidies.

- Supporting **the informal economy**, through Microfinance Institutions (MFIs), whose role is essential in cushioning the economic and social impact of the crisis on the most vulnerable entrepreneurs and populations, (i) by guaranteeing local banks so that they can refinance MFIs, (ii) by granting loans and portfolio guarantees directly to MFIs, and (iii) by preparing capital support for MFIs whose solvency has been compromised after the crisis.

➤ Support to NGOs

AFD has maintained and adapted its support methods for French civil society organisations such as NGOs, not-for-profit groups, trade unions and foundations weakened by the health crisis. French NGOs have benefited from a grant of €31M since the start of the health crisis.

At the same time, AFD has strengthened its dialogue with partner organisations, made its conditions for support more flexible, and launched the reorientation of ongoing operations towards responses to the crisis.

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

As part of the “*Santé en Commun*” initiative, the Ministry for Europe and Foreign Affairs (MEAE) has asked AFD to allocate exceptional additional aid of €10M to the implementation of CSO (Civil Society Organisations) initiatives. Since July 2020, following the Ministry’s instructions, AFD’s CSO Partnerships Division, in close collaboration with the Ministry’s services, has pre-selected 17 projects led by 20 CSOs and their national partners, i.e. 16 country projects and one multi-country project.

The countries in question are: Benin, Burkina Faso, Central African Republic, Chad, Ethiopia, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal and Togo. The geographical and temporal complementarity of these actions was sought with the funding mobilised by the MEAE’s Crisis and Support Centre. These projects, lasting 12 to 24 months, fall into two areas of intervention: firstly health, hygiene and social protection, and secondly food and nutrition security, as well as sustainable agriculture. The beneficiary CSOs are all recognised for their expertise, their continuous operational presence in the target countries, and their ability to continue operating despite the logistical and safety challenges they face. The majority of projects support and strengthen the capacities of local CSOs. Some also support local public authorities and public agencies to improve their management skills, training in the fight against Covid-19 or public policy dialogue.

All of these projects received their grants in October 2020. The terms and conditions of the CSO Initiatives system were adapted to promote a rapid launch of activities from autumn 2020 (accelerated appraisal, 100% financing, retroactive application of expenditure eligibility rules).

As the impacts of the health crisis on CSOs are long-term, the call for proposals for projects for the 2021 CSO Initiatives extended the adjustments put forward in 2020 such as the revaluation of project co-funding rates and the coverage of indirect costs (administrative costs), as well as reduced requirements for private funds.

Finally, since the beginning of the health crisis, dialogue with CSOs has been focused on the difficulties they are facing. All AFD teams have worked hard to promote flexible support. To this end, a large number of projects have been adapted in terms of content, duration, methods of intervention and activities. Nearly 150 requests from CSOs for help tackling the effects of the health crisis were received and processed between March 2020 and March 2021.

➤ The “*Outre-mer en commun*” initiative

In the French Overseas Departments and Collectivities, AFD took action quickly, alongside the French State and banks, to provide a rapid response to the health crisis and its economic and social impacts, through the “*Outre-mer en commun*” initiative. This nearly **€1bn** was dedicated to supporting **local authorities and overseas companies**, in addition to the measures already taken to protect the health of the population and the economy of these regions. The “*Outre-mer en commun*” initiative is broken down into three components: “health emergency”, “economic emergency” and “sustainable recovery”. To this end, a number of measures were implemented, including:

- **Emergency investment aid loans over 20 years** for overseas local authorities, with a three-year grace period and accelerated release terms (40% upon signature) based on the projects selected in the local authority-State contracts;
- **Accelerated annual budget loan instructions** for large local authorities, which could affect an outstanding amount of €250M at a minimum;
- **Accelerated disbursements for existing financing** (up to €250M);
- **An emergency loan granted to New Caledonia and French Polynesia, in the amount of €240M each**, for the partial financing of their safeguarding plan.

### 1.2.2. Refinancing and liquidity

The first part of the year was spent continuing the work ongoing at the end of 2020. Central banks support for the financial markets has provided issuers with good access to liquidity, with spread levels similar to or better than those seen before the onset of the health crisis.

To finance the growth of its activities on its own behalf, in the first half of 2021, AFD carried out eight finance issues under its EMTN programme, including two public operations and three private placements in euros, one public issue and one private placement in US dollars, and one private placement in Australian dollars, as well as one tap issue in euros, for a total volume of €4.8bn.

For the AFD Group, the overall cash flow indicator expressed in months (or survival horizon) makes it possible to measure whether, at any given time, the cash balance and the monetisation of the liquidity buffer make it possible to cover at least six months of projected sliding activity needs to handle a market closure during that period. The risk appetite framework prescribes an objective of maintaining this indicator within a band of 9 to 12 months; the preventive alert threshold is set at 8 months and the tolerance threshold at 6 months. During the first half of 2021, this indicator fluctuated within a range of between 10.6 and 14 months, confirming once again the return to normal after the volatility observed in 2021.

### 1.2.3. Financial results

The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), show a net income, Group share of +€220M at 30 June 2021, versus -€55M at 30 June 2020. This increase was mainly due to a significant rise in net banking income over the period (€467M compared to €259M in 2020) combined with a decrease in the cost of risk of +€120M.

The €208M increase in net banking income generated in the first half of 2021 is mainly due to the rise in the fair value of financial instruments. The result generated by this activity accounts for 62% of the growth in net banking income over the period. These effects have been reinforced in connection with the application of the new IFRS 9 standard applicable as of 1 January 2018, particularly in relation to the volume of assets that are measured at fair value through profit or loss in the Group's financial statements.

Cost of risk stood at +€19M at 30 June 2021, well below the level of the first half of 2020 at -€101M, severely affected by the health crisis. The year 2020 was marked by a significant increase in the cost of risk, mainly due to the prudent provisioning policy for Stages 1 and 2 in the event that defaults begin to materialize. In the first half of 2021, the cost of risk was low in the absence of defaults and an improvement in the financial position of certain counterparties, while maintaining the principle of prudence.

General operating expenses increased by €8M to €222M at 30 June 2021, versus €214M at 30 June 2020.

### 1.2.4. Solvency ratio and regulatory changes

The entry into force of the CCR2/CRDV regulation on 28 June 2021 resulted in amendments to the calculation of risk-weighted assets and new ratio requirements. The main impacts for the Group are as follows:

- The value of derivatives exposed to risk, previously modelled according to the mark-to-market method, is now modelled using the standard method (SA – CCR), corresponding to the sum of the replacement cost and the potential future exposure;
- Exposures in the form of shares or stocks of collective investment funds, previously weighted according to the simple weighting method, are now treated according to the transparency approach.

AFD meets the minimum equity requirements in terms of solvency. The solvency ratio stood at 16.73% at 30 June 2021, an increase against 31 December 2020 (16.29%). This change is

explained by the increase in regulatory capital in connection with AFD's capital increase during the period (€8.7bn at end-June 2021 compared with €7.9bn at end-December 2020), and to a lesser extent, by the impact of the implementation of CRR2 which resulted in a limited impact for the Group.

### 1.2.5. Prospects

The year 2021 will be a year of renewed ambition for France's development policy and for AFD Group, which serves this policy. This includes a new orientation and programming law, a new framework agreement, and the end of negotiations on a new contract for objectives and resources for 2020-2022. It will constitute a significant stage in achieving the commitment made by the French President to allocate 0.55% of GNI to public development aid by 2022.

It will see stronger management of the Group's activity through signatures and disbursements with particular attention paid to the implementation deadlines of operations in a context of significant macroeconomic deterioration due to the health crisis.

AFD Group has set itself the target of reaching €10.8bn in signatures in 2021, with disbursements of €8.6bn and €12bn in commitments. This business plan is based on the assumption of a stabilised economic environment in 2021 and unchanged budgetary resources in terms of both grants and loan subsidies. AFD Group will continue to apply these resources in accordance with the guidelines given by the CICID and the new COM, which should be signed at the end of the year, and in 2021 will remain committed to the health and education sectors as the health crisis has put the education of hundreds of millions of children around the world, especially girls, on hold.

At the beginning of the year, AFD Group presented its Social Link strategy which, in conjunction with the Generation Equality Forum, demonstrates the Group's ambition to go even further on gender equality issues.

AFD Group will fully contribute to "Planet" issues by working within the France team to prepare for COP15 in Kunming on biodiversity and COP26 in Glasgow on climate. The priority given to Africa will be reaffirmed at the summit for the financing of African economies and at the Africa-France summit in Montpellier.

Lastly, AFD Group will step up its action in 2021 to publicise the usefulness and results of the development policy. AFD will continue to increase the number of projects assessed in 2021 and will steer the creation of an Innovation for Development Fund chaired by Esther Duflot. To this end, AFD will also focus on two key events: the "Tour de France of international commitment to sustainable development" and the Agency's 80<sup>th</sup> anniversary on 2 December 2021.

By geographic area, AFD's projected activity for 2021 breaks down as follows:

- Africa remains the priority region for AFD Group. The 2021 outlook for Africa includes a commitment target of €3.8bn in financing, including €0.9bn in grant commitments and €3.9bn in signatures.

In 2021, AFD will continue its efforts to accelerate implementation on the ground, particularly in crisis areas. If grant volumes are expected to stabilise, the transformation into signatures of grants made in 2020 should lead to an increase in disbursements. On a thematic

level, the engagement strategy will focus on the continuation of the Minka projects in the Sahel, on gender and education.

- AFD's activity in the "Oriens" region is expected to reach €2.7bn in 2021 in commitments, including €0.1bn of grants in the Near and Middle East and signatures of €2.3bn. This region covers the former Asia scope, to which the Balkans, the Middle East and Turkey have been added, since the reorganisation of AFD's geographical focus in September 2018.
- AFD's activity in the Latin America region has been refocused on the sub-continent in its strict sense (along with Cuba, for geopolitical reasons), with 8 countries instead of the previous 11 since 1 September 2018. With a commitment approvals target of €1.5bn, approximately half of which is in the form of sovereign loans and half in non-sovereign, and €1.2bn in signatures, activity in Latin America in 2021 should confirm the possibility of bringing significant volumes of financing to Latin America in an uncertain political and economic landscape. In addition to its objective of 70% climate co-benefits in the region, AFD will strive to improve its impact in terms of combating all forms of inequality, in line with its mandate in the region. The events of 2019 and the Covid health crisis in Latin America have reminded us of the need to reconcile ecological transition and social progress.
- AFD's activity target in the Three Oceans (excluding foreign states) amounts to €1.5bn for 2021 and €1.3bn in signatures. This objective reflects the implementation of the Three Oceans approach launched at the end of 2018 and materialised in October 2019 through the adoption of the new strategies by the Board of Directors. AFD involvement in the region will continue to be deployed in a threefold overseas, foreign and regional framework to better meet the economic imperatives, environmental requirements and social challenges of these territories.

### 1.3. Risk factors

AFD Group's risk-bearing loan activity (outstanding loans and undisbursed balances signed) amounted to €54.4bn, an increase of €1,463M (+2.8%) over the first half of 2021. In 2020 and 2019, this growth was €4,636M (+9.6%) and €4,193M (+9.5%) respectively. This increase is concentrated within AFD's scope (€1,542M), whereas at-risk loads on the Proparco portfolio are down slightly (-€79M). For AFD, this growth is the result of an increase in sovereign loans (+€1,502M to €33.5bn) supplemented by a slight increase in non-sovereign loans (+€40M).

The outstanding on loans on AFD Group's own behalf (€38.0bn) rose by €594M (+1.6%) over the first half of 2021 and breaks down as follows:

- +€406M on sovereign loans;
- +€188M on non-sovereign loans, of which +€142M on AFD loans and +€46M on Proparco loans.

The Group's overall rate of doubtful loans increased from 3.6% at the end of 2020 to 4.6%, with:

- An increase in the doubtful rate for the AFD's sovereign portfolio (0% to 2.7%) arising from the application of the new definition of default to the scope of sovereign loans (see §1. Significant events at 30 June 2021 disclosed in the notes to the financial statements);
- A decrease in the doubtful rate for the Group's non-sovereign portfolio (7.9% to 6.8%).

The Group's doubtful outstandings amounted to €1,783M, up €431.3M, and included:

- +€544.5M for AFD sovereigns to €547.1M;
- -€81.3M for AFD non-sovereigns to €965M;
- -€31.6M for Proparco non-sovereigns to €271M.

The increase in sovereign doubtful outstandings is mainly attributable to new downgrades due to a proven credit risk (Ethiopia, Mozambique, Congo, Zambia).

The Group's arrears totalled €154.6M, down €100.7M over the half-year, of which:

- +€4.3M for AFD sovereigns to €11.5M;
- -€53.8M for non-sovereigns to €77.9M;
- -€51.2M on Proparco to €65.2M.

The Group's consolidated cost of risk after transition to the IFRS accounting standards was +€43.4M including a net reversal of €19.2M on collective impairments, a net reversal of €102.1M on individual impairment, losses of €126.2M on bad loans and €0.1M in other provisions.

The reserve account for sovereign risk was impaired by €33M, bringing it to €943M. This reserve account stood at €910M at 31 December 2020.

Regulatory Equity amounted to €8,681M at 30 June 2021, an increase of €771M compared to 31 December 2020 (€7,910M), in connection with AFD's capital increase (see §1. Significant events at 30 June 2021 disclosed in the notes to the financial statements).

At the end of June 2021, the impact of the economic crisis linked to the Covid-19 pandemic on AFD's credit portfolio appeared to be stabilising: portfolio quality unchanged, minor downgrading to doubtful in the first half of the year, reversal of individual and collective provision allocations for losses. However, the context remains volatile and a deterioration in the quality of the portfolio could occur in certain regions depending on the intensity of the pandemic. Particular attention is paid in the monitoring of the portfolio for the most vulnerable sectors such as air transport and tourism, which are subject to a sectoral adjustments updated every quarter (€70M at the end of June 2021 vs. €79M at the end of 2020).

The number of non-sovereign counterparties for which a moratorium request was accepted increased slightly in 2021 (43 counterparties with deferrals recorded since the start of the Covid crisis, including 6 in 2021 for AFD; a total of 39 and 8 respectively in 2021 for Proparco).

With regard to the sovereign portfolio, a deterioration in the macroeconomic situation and the short-term solvency of several countries of operation has already been observed, resulting in downgrades of external sovereign ratings. The implementation of the G20 initiative, in coordination with the Paris Club, which aims to suspend the debt service of the poorest countries (DSSI, Debt Service Suspension Initiative for the Poorest Countries) is applied by AFD in phases (phase 1: moratorium between 1 May and 31 December 2020 - phase 2: moratorium between 1 January and 30 June 2021). Of the 35 sovereign counterparties eligible for the initiative to which AFD is exposed, 27 have submitted a DSSI request approved by the Paris Club. The total amount of deferred maturities was €142M for the 27 countries that requested DSSI in 2020 and €135M in the first half of 2021.

## **B. Consolidated financial statements prepared in accordance with IFRS accounting standards adopted by the European Union**

### **1. Overview**

Agence Française de Développement (AFD) is an industrial and commercial public undertaking tasked with financing development assistance. AFD funding amounts to €4,228M.

Headquarters: 5, rue Roland Barthes – 75598 Paris Cedex 12.

Listed on the Paris Trade and Companies Register under Number 775 665 599.

These condensed half-year consolidated financial statements were prepared on 6 September 2021.

## Balance Sheet at 30 June 2021

<i>in thousands of euros</i>	Notes	30/06/2021	31/12/2020	Change
<b>Assets</b>				
Cash, due from central banks		3 189 752	3 157 677	32 075
Financial assets measured at fair value through profit and loss	1	2 567 077	2 628 539	- 61 462
Hedging derivatives	2	2 099 178	2 893 471	- 794 293
Financial assets measured at fair value through other comprehensive income	3	1 393 963	1 455 998	- 62 036
Debt securities at amortised cost	5	1 330 580	1 358 235	- 27 655
Financial assets at amortised cost		41 824 694	41 286 479	538 216
Loans and receivables due from credit institutions and equivalent at	5	9 844 848	8 959 315	885 533
<i>On demand</i>		2 381 162	1 639 791	741 371
<i>On term</i>		7 463 686	7 319 523	144 162
Loans and receivables due from customers at amortised cost	5	31 979 847	32 327 164	- 347 318
<i>Other loans to customers</i>		31 979 847	32 327 164	- 347 318
Revaluation adjustments on portfolios hedged against interest rate risk		741	1 150	- 409
Current tax assets		77	92	- 15
Deferred tax assets		22 099	26 446	- 4 347
Accruals and other miscellaneous assets	6	1 010 141	975 605	34 536
<i>Accruals</i>		38 232	28 541	9 691
<i>Other assets</i>		971 909	947 064	24 846
Equity stakes in companies accounted for by the equity method	17	140 697	140 004	692
Property, plant and equipment	7	242 757	254 951	- 12 195
Intangible assets	7	48 859	46 408	2 451
<b>Total assets</b>		<b>53 870 614</b>	<b>54 225 057</b>	<b>- 354 442</b>
<b>Liabilities</b>				
Central banks		-	-	-
Financial liabilities measured at fair value through profit or loss	1	218 236	287 169	- 68 933
Hedging derivatives	2	1 531 431	1 881 323	- 349 892
Financial liabilities at amortised cost		39 974 883	40 383 217	- 408 335
Debt securities in issue at amortised cost	8	39 967 148	40 369 524	- 402 376
<i>Interbank market securities</i>		776 510	701 728	74 782
<i>Bonds</i>		39 190 638	39 667 796	- 477 158
Debts to credit institutions and equivalent at amortised cost	8	5 209	11 665	- 6 456
<i>On demand</i>		4 510	11 125	- 6 614
<i>On term</i>		699	540	158
Debts to customers at amortised cost	8	2 525	2 028	497
<i>on demand</i>		2 525	2 028	497
Deferred tax liabilities		9 800	10 536	- 736
Accruals and other miscellaneous liabilities	6	2 042 699	2 560 629	- 517 930
<i>Allocated public funds</i>		88 652	81 230	7 423
<i>Other liabilities</i>		1 954 046	2 479 399	- 525 353
Provisions	9	1 304 815	1 287 076	17 739
Subordinated debt	10	840 006	1 535 334	- 695 328
<b>Total debts</b>		<b>45 921 868</b>	<b>47 945 284</b>	<b>- 2 023 416</b>
Equity Group share	(Tab 1)	7 774 043	6 124 821	1 649 222
<i>Provisions and related retained earnings</i>		4 687 999	3 267 999	1 420 000
<i>Consolidated retained earnings and other</i>		2 822 563	2 778 501	44 062
<i>Gains and losses directly recognised in other comprehensive income</i>		43 952	37 917	6 035
<i>Earnings for the period</i>		219 529	40 404	179 125
Minority interests	(Tab 1)	174 703	154 952	19 751
<b>Total equity</b>		<b>7 948 746</b>	<b>6 279 773</b>	<b>1 668 974</b>
<b>Total liabilities</b>		<b>53 870 614</b>	<b>54 225 057</b>	<b>- 354 442</b>

## Income Statement at 30 June 2021

<i>in thousands of euros</i>	Notes	30/06/2021	30/06/2020	Change
<b>Interest and related income</b>	11	<b>759 362</b>	<b>792 268</b>	<b>-32 905</b>
Transactions with credit institutions		144 074	164 709	-20 636
Transactions with customers		384 044	364 869	19 175
Bonds and other fixed-income securities		15 804	16 550	-746
Other interest and similar income		215 441	246 140	-30 699
<b>Interest and related expenses</b>	11	<b>489 702</b>	<b>592 482</b>	<b>-102 781</b>
Transactions with credit institutions		314 118	350 733	-36 614
Transactions with customers		930	559	372
Bonds and other fixed-income securities		224 429	258 370	-33 940
Other interest and similar expenses		-49 777	-17 179	-32 598
<b>Commissions (income)</b>	12	<b>58 969</b>	<b>61 293</b>	<b>-2 324</b>
<b>Commissions (expenses)</b>	12	<b>2 433</b>	<b>1 616</b>	<b>816</b>
<b>Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact</b>	13	<b>6 008</b>	<b>-122 497</b>	<b>128 505</b>
<b>Net gains or losses on financial assets recognised at fair value through other comprehensive income</b>	14	<b>6 753</b>	<b>1 401</b>	<b>5 351</b>
<b>Other incomes</b>	15	<b>137 063</b>	<b>124 209</b>	<b>12 855</b>
<b>Other expenses</b>		<b>9 045</b>	<b>3 595</b>	<b>5 450</b>
<b>Net banking income</b>		<b>466 976</b>	<b>258 980</b>	<b>207 996</b>
<b>Overheads</b>	16	<b>222 444</b>	<b>214 217</b>	<b>8 227</b>
Staff costs		162 527	152 216	10 311
General and administrative expenses		59 917	62 001	-2 084
<b>Depreciation/amortisation and impairment of property, plant, equipment and intangible assets</b>	7	<b>20 565</b>	<b>19 166</b>	<b>1 399</b>
<b>Gross operating income</b>		<b>223 967</b>	<b>25 597</b>	<b>198 370</b>
<b>Cost of credit risk</b>	17	<b>19 213</b>	<b>-101 008</b>	<b>120 222</b>
<b>Operating income</b>		<b>243 180</b>	<b>-75 411</b>	<b>318 591</b>
<b>Income share from equity-accounted companies</b>	18	<b>-493</b>	<b>-2 794</b>	<b>2 301</b>
<b>Net gains or losses on other assets</b>		<b>-64</b>	<b>33</b>	<b>-97</b>
<b>Pre-tax income</b>		<b>242 624</b>	<b>-78 172</b>	<b>320 796</b>
<b>Corporate tax</b>	19	<b>-9 428</b>	<b>3 825</b>	<b>-13 253</b>
<b>Net income</b>		<b>233 196</b>	<b>-74 347</b>	<b>307 543</b>
<b>Minority interests</b>		<b>13 667</b>	<b>-19 757</b>	<b>33 424</b>
<b>Net income - Group share</b>		<b>219 529</b>	<b>-54 590</b>	<b>274 119</b>

## Net income and gains and losses directly recognised in equity at 30 June 2021

in thousands of euros

	30/06/2021	31/12/2020
<b>Net income</b>	<b>233 196</b>	<b>15 437</b>
<b>Net gains and losses directly recognised in other comprehensive income to be recycled in profit or loss</b>	<b>-4 173</b>	<b>6 903</b>
Net gains or losses on debt securities recognised in other comprehensive income to be recycled in profit or loss	-4 173	6 903
<b>Net gains and losses directly recognised in other comprehensive income not to be recycled in profit or loss</b>	<b>12 815</b>	<b>9 003</b>
Actuarial gains and losses on retirement benefits	0	-10 669
Net gains and losses on equity securities directly recognised in other comprehensive income not to be recycled in profit or loss	12 815	19 672
<b>Total gains and losses directly recognised in equity</b>	<b>8 642</b>	<b>15 906</b>
<b>Net income and gains and losses directly recognised in equity</b>	<b>241 838</b>	<b>31 343</b>
Of which Group share	225 564	51 444
Of which minority interests	16 273	-20 101

## Statement of changes in equity from 1 January 2020 to 30 June 2021

in thousands of euros

	Provisions	Funding reserves	Consolidated reserves	Income for the financial year	Unrealised or deferred gains or losses	Equity – Group share	Equity - Non-controlling interests	Total consolidated equity
<b>Equity at 1 January 2020</b>	<b>2 807 999</b>	<b>460 000</b>	<b>2 638 564</b>	<b>172 439</b>	<b>26 876</b>	<b>6 105 877</b>	<b>203 951</b>	<b>6 309 828</b>
Share of 2019 incomes affected by retained earnings			172 439	-172 439		-	-	-
Dividends paid				0		0	0	0
Other changes			3 705			3 705	-1 859	1 846
Changes related to put options			-36 205			-36 205	-27 039	-63 244
2020 income				40 404		40 404	-24 967	15 437
Gains or losses directly recorded in equity for 2020					11 040	11 040	4 866	15 906
<b>Equity at 31 December 2020</b>	<b>2 807 999</b>	<b>460 000</b>	<b>2 778 502</b>	<b>40 404</b>	<b>37 917</b>	<b>6 124 821</b>	<b>154 952</b>	<b>6 279 773</b>
Share of 2020 income affected by retained earnings			40 404	-40 404		-	-	-
Dividends paid				-		-	-	-
Other changes			-10			-10	-269	-279
Changes related to put options			3 668			3 668	3 747	7 416
AFD capital increase	1 420 000					1 420 000	0	1 420 000
2021 income				219 529		219 529	13 667	233 196
Gains or losses directly recorded in equity for 2021					6 035	6 035	2 606	8 642
<b>Equity at 30 June 2021</b>	<b>4 227 999</b>	<b>460 000</b>	<b>2 822 564</b>	<b>219 529</b>	<b>43 952</b>	<b>7 774 044</b>	<b>174 703</b>	<b>7 948 747</b>

## Cash flow statement at 30 June 2021

in thousands of euros

	30/06/2021	31/12/2020	30/06/2020
<b>Pre-tax income (A)</b>	<b>242 624</b>	<b>5 335</b>	<b>-78 172</b>
Depreciation/amortisation and impairment of property, plant, equipment and intangible assets	13 178	24 851	11 937
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	7 386	14 772	7 231
Impairment of goodwill and other fixed assets	0	0	0
Provisions net of other provisions (including technical insurance provisions)	-84 208	221 116	133 836
Share of earnings from companies accounted for by the equity method	493	6 305	2 794
Net gain/(net loss) on investment activities	-11 658	-37 505	-8 763
Net loss/(gain) on financing activities	176 632	69 574	2 813
Other items (0)	-70 852	-36 679	-62 154
<b>Total non-cash items included in net pre-tax income and other items (B)</b>	<b>30 970</b>	<b>262 434</b>	<b>87 694</b>
Cash flows from credit institutions and equivalent	-355 707	-1 543 327	-1 179 344
Cash received from customers	-320 246	-2 966 437	-870 155
Cash flows from other operations affecting other financial assets or liabilities	57 757	-111 626	-124 399
Cash flows from operations affecting non-financial assets or liabilities	-423 067	7 956	-357 621
Taxes paid	-5 604	-1 640	-1 066
<b>= Net increase (decrease) in cash-related assets and liabilities from operating activities (C)</b>	<b>-1 046 867</b>	<b>-4 615 074</b>	<b>-2 532 585</b>
<b>Net cash flows from operating activities (A+B+C)</b>	<b>-773 274</b>	<b>-4 347 305</b>	<b>-2 523 064</b>
Cash flows from financial assets and equity investments *	-62 157	-91 582	54 539
Cash flows from property, plant and equipment and intangible assets	-6 671	-17 875	-5 929
<b>Net cash flows from investment activities</b>	<b>-68 828</b>	<b>-109 456</b>	<b>48 609</b>
Cash flows related to the application of IFRS 16	-7 973	-15 680	-6 267
Cash flows from shareholders **	725 000	530 206	247 000
Cash flows to shareholders ***	0	-83 695	0
Other net cash flows from financing activities ****	904 638	5 397 538	3 142 948
<b>Net cash flows from financing activities</b>	<b>1 621 665</b>	<b>5 828 369</b>	<b>3 383 682</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>779 563</b>	<b>1 371 608</b>	<b>909 227</b>
<b>Opening balance of cash and cash equivalents</b>	<b>4 784 315</b>	<b>3 412 707</b>	<b>3 412 707</b>
Net balance of cash and cash equivalents	3 157 677	1 259 072	1 259 072
Net balance of on demand loans and deposits from credit institutions and customers	1 626 638	2 153 635	2 153 635
<b>Ending balance of cash and cash equivalents</b>	<b>5 563 878</b>	<b>4 784 315</b>	<b>4 321 934</b>
Net balance of cash accounts and accounts with central banks (1)	3 189 752	3 157 677	3 407 256
Net balance of on demand loans and deposits from credit institutions and customers (2)	2 374 126	1 626 638	914 679
<b>Change in cash and cash equivalents</b>	<b>779 563</b>	<b>1 371 608</b>	<b>909 227</b>

(0) Non-controlling interests have been reallocated over the period to Pre-tax income (A) in order to improve the clarity of the statement of cash flows and facilitate reconciliation with the Income Statement

(1) Net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet at 30 June 2021

(2) Net balance of "Demand receivables and payables from/to credit institutions"

\* The flows related to financial assets and equity investments mainly come from the equity investment activity of the Proparco subsidiary and correspond to the flows during the period between acquisitions, disposals and fund raising

\*\* Cash flows from shareholders correspond to RCS issues

\*\*\* Cash flows to shareholders correspond to the dividends paid by AFD to the French State and paid to minority shareholders by the Proparco subsidiary

\*\*\*\* Other net cash flows from financing activities correspond to market borrowings carried out by AFD to meet the growth in its operating activity (see 1.1 Business financing)

## C. Notes to the financial statements

### 1. Significant events at 30 June 2021

#### 1.1 The impact of the Covid-19 pandemic health situation

A year and a half after the outbreak of the Covid-19 pandemic, the global environment remains characterised by an unprecedented crisis. To deal with this crisis and its economic consequences, AFD Group is continuing to roll out certain measures to respond to the health and economic emergency and to put into action the French government's commitments to support priority countries for French public development assistance.

##### ▪ Extension of moratoriums

In 2020, the G20 focused the majority of its efforts on the global pandemic. One of the key actions was the launch, in coordination with the Paris Club, of a Debt Service Suspension Initiative for the Poorest Countries (DSSI) to help address financial vulnerabilities in developing countries and enable countries to devote resources to combating the pandemic. Numerous moratoriums have been granted by AFD as part of this process. These moratoriums resulted in the deferral of final payments due between 1 May and 31 December 2020. The deferred amounts will be repaid in six instalments scheduled for between 15 June 2022 and 15 December 2024 (phase 1).

At the end of June 2021, AFD had signed agreements or amendments to initial agreements with 25 eligible countries to implement the extension of the debt service suspension initiative (phase 2) which applies to final payments due between 1 January and 30 June 2021.

Given the significant financing needs that countries eligible for the DSSI initiative are expected to face this year, the Paris Club members and the G20 have approved the additional six-month extension of this initiative, until the end of December 2021 (phase 3).

The moratoriums generally granted to creditors, and intended to cover temporary cash flow difficulties linked to the Covid-19 crisis, have affected the repayment schedules of these receivables without substantially impacting their characteristics. These receivables are therefore modified without being derecognised. Moreover, the granting of this arrangement is not in itself an indicator of financial difficulty in said counterparties.

As of 30 June 2021, the suspension of payments as part of phase 2 of the DSSI initiative had no material impact on the financial statements.

##### ▪ Credit risk assessment

The various models for estimating expected credit losses may be supplemented by sectoral adjustments that increase or decrease the sum of expected credit losses. These adjustments make it possible to better anticipate the cycle of default or of recovery in certain sectors whose activity is cyclical.

Given the uncertainties that remain in the air and tourism sectors, AFD Group has decided to adopt a multi-scenario approach in order to take into account the increased vulnerability of the tourism sector in AFD Group's countries and territories of intervention as well as the extent of the aviation industry crisis marked by the brutal halt of the global air sector.

The assumptions and estimates used in the preparation of the half-year financial statements resulted in an additional allocation of €70M for aviation and tourism sector exposures (€79M at 31 December 2020).

## **1.2 Financing of the Group's activity**

To finance the growth of its activity on its own behalf, in the first half of 2021, AFD issued three bonds in the form of public issues, five private placements, as well as one tap issue, for an overall volume of €4,837M.

## **1.3 Allocation of 2020 net income**

Pursuant to Article 79 of the amended Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2020 financial statements on 8 April 2021. The latter proposed the distribution of a dividend to be paid by AFD to the French State, which amounted to €21.1M, i.e. a payout rate of 20% of AFD's income (€105.6M at 31 December 2020).

This dividend will be paid to the State by AFD for the full year 2020 will be determined by order of the Minister of the Economy, Finance and Recovery and paid after publication in the Official Journal.

## **1.4 Increase in AFD's capital allocation from the French State**

A new capital allocation was made to AFD by the French State in the amount of €1,420M to strengthen the Agency's equity capital. AFD's initial allocation, which was €2,808M, stood at €4,228M at the end of this period.

This allocation increase was carried out by converting the State's RCS (resources with special conditions) debt into AFD's books, in accordance with the agreement signed on 18 June 2021 between the French State and AFD. This agreement defines the terms and conditions relating to (i) AFD's capital allocation from the French State in the amount of €1,420M, and (ii) the early repayment by AFD to the French State of payments due from 1 June 2021 on several loans issued between 1 January 2018 and 31 May 2021 for a total amount of €920M.

## **1.5 Application of the new de finition of default to the scope of sovereign loans**

On 1 January 2021, AFD Group adopted a new definition of default to downgrade financial assets in stage 3. This new definition is aligned with that of the Basel framework and is notably based on a rebuttable presumption that the status of default is applied after no more than 90

days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

This change has no impact on the scope of non-sovereign loans downgraded to doubtful when third parties are in arrears of more than 90 days.

Sovereign loans used to be downgraded to doubtful after 18 months of arrears. Following the application of this new definition, these loans are considered to be doubtful outstandings when they carry a proven credit risk. At 30 June 2021, doubtful outstanding sovereign loans amounted to €577M. The doubtful rate of the sovereign loan portfolio rose from 0.01% to 2.7%.

## 2. Accounting standards applied to Agence Française de Développement

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

The consolidated financial statements of AFD Group at 30 June 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The content of these financial statements complies with IAS 34 on interim financial information, which provides for the publication of condensed half-year financial statements.

The accounting standards applied in the preparation of AFD's financial statements as at 30 June 2021 are described in section 3.2.

These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the financial statements to 30 June 2021 were supplemented by the provisions of IFRS standards as adopted by the European Union that must be applied for the first time to this financial period. They relate to:

Standards, amendments or interpretations	Dates of publication by the European Union	of Date of application: financial years starting from
<b>Phase 2 amendments to IAS 39 – IFRS 9 – IFRS 7 – IFRS 16 – IFRS 4 following changes in reference rates</b>	August 2020	1 January 2021

As part of the preparation of the financial statements to 30 June 2021, the Group did not take into consideration the definitive IFRIC decision of 20 April 2021, published in May 2021, which provides details on the allocation of post-employment benefits to periods of service for

defined-benefit plans in accordance with IAS 19, in order to have the time necessary to analyse the accounting consequences of this decision during the 2021 financial year.

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

✓ **Amendments to IAS 39, IFRS 9 and IFRS 7 “Changes in criteria for hedge accounting requirements”**

The index transition project began in early 2019 under the responsibility of the Finance Department with the participation of all relevant departments (Operations, Legal, Risks, Information Systems and Communication) at AFD Group. At the same time, the proposals and recommendations of market players, central bank working groups and the authorities were regularly monitored and a customer communication plan was launched. Since September 2020, the work relating to the operational and systems impacts has been integrated into the information transformation programme of the Group Finance Department and Risk Department.

The FCA (Financial Conduct Authority) announced the end dates of the LIBORs on 30 November 2020:

- 31 December 2021 for all maturities of GBP, JPY, CHF, EUR LIBOR and for USD LIBOR 1W and 2M (one week and two months);
- 30 June 2023 for other maturities of USD LIBOR (1M, 3M, 6M and 12M).

As of these dates, LIBOR rates will no longer be representative of the underlying markets and may no longer be used. The authorities recommend ending the use of USD LIBOR in new contracts from the end of 2021.

New overnight benchmark rates are published for the Yen: the TONAR (Tokyo Overnight Average Rate); for sterling: the SONIA (Reformed Sterling Overnight Index Average); and for the CHF: the SARON (Swiss Average Rate Overnight). Since October 2019, the ECB (European Central Bank) has published the €STR, the Euro Short-Term Rate, which will replace the EONIA on 3 January 2022.

Since April 2018, the FED has published a new index for the overnight rate, the SOFR: Secured Overnight Financing Rate, based on the US Treasury repos market and which will serve as the basis for the replacement of the USD LIBOR rate.

The authorities (FSB, IOSCO) and the working groups (ARRC) uphold their recommendations to switch to SOFR for new productions from the beginning of 2022, despite the postponement of the end of the USD LIBOR until June 2023. The development of a forward SOFR is not guaranteed at this stage, as the SOFR derivatives market has not yet acquired sufficient liquidity and depth. New production will use the Compound SOFR Index published by the FED, with a post-count methodology and a lookback for the determination of the interest rate for USD floating rate products.

All our new agreements have included fallback provisions since early 2020. As regards previous contracts, as a European institution, our agreements being established under French law, the revision of the Benchmark Regulation would cover a significant portion of legal risks.

The European Commission has revised the Benchmark Regulation to introduce a “prescriptive” fallback clause, whereby the Commission grants itself the possibility of determining the replacement rate for all contracts in stock of European establishments without adequate fallback clauses. Contracts in inventory under French law are within the scope of the regulation revision. The same actions are being undertaken across the Channel and the Atlantic (Great Britain and the United States).

In September 2019, the IASB introduced amendments to IAS 39, IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which changes the requirements of the criteria for using hedge accounting by allowing the continuation of hedging relationships existing before the effective implementation of that reform. These amendments were adopted by the European Commission on 15 January 2020 with mandatory application for the 2020 financial statements.

In August 2020, the IASB published “Phase 2” amendments, clarifying that amendments related solely to changes in interest rates as part of the reform must not lead to an interruption in hedging relationships. In addition, the data were surveyed and analysed. It was found that the rates the AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR.

For these hedging relationships, the hedged and hedging instruments will be progressively amended, when necessary, in order to incorporate the new rates. The “Phase 1” amendments to IAS 39 and IFRS 7 are applicable when the contractual terms of the hedged instruments or hedging instruments have not yet been amended.

Conversely, the “Phase 2” amendments are applicable once the contractual terms of the hedged instruments or hedging instruments have been amended, and the terms and date of transition to the new benchmark interest rates have been clearly stipulated.

The documentation of the micro-hedging relationships was carried out on the basis of the EONIA discount rate as at 31 December 2020 and the €STR as at 30 June 2021. Also, the change in the benchmark rate for the derivatives portfolio (not eligible for hedge accounting and so-called “natural” hedges) resulted in the transition from the EONIA discount rate (€STR+8.5 bps) at €STR flat (EUR). As of 30 June 2021, the net impact of these changes on the Group’s financial statements was immaterial.

The other standards and interpretations applicable as at 1 January 2021 had no material impact on the Group’s financial statements at 30 June 2021.

In addition, the IASB has published standards and amendments, not all of which have been adopted by the European Union as at 30 June 2021. They will come into force on a mandatory basis for financial years beginning on or after 1 January 2022 at the earliest, or their adoption by the European Union. They were therefore not applied by the Group as at 30 June 2021.

<b>Standards applicable to future financial years</b>	<b>Provisional date of application</b>
<b>Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions beyond 30 June 2021</b>	1 January 2021
<b>Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract</b>	1 January 2022
<b>Annual Improvements to the IFRS (Cycle 2018 - 2020)</b>	1 January 2022
<b>Amendments to IAS 1 - Accounting policy disclosures</b>	1 January 2023
<b>Amendments to IAS 8 - Definition of an accounting estimate</b>	1 January 2023
<b>Amendments to IAS 12 “Income Taxes” - Deferred taxes relating to assets and liabilities arising from the same transaction</b>	1 January 2023

✓ **Extension of the application of amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions beyond 30 June 2021**

These amendments extend by one year the period of application of the amendments to IFRS 16 “Leases” relating to the Covid-19 crisis published by the IASB on 28 May 2020. These amendments mean that tenants benefiting from rent concessions in the context of the Covid-19 pandemic are not required to assess whether the concessions granted to them should be recognised as lease modifications (which would imply spreading out the effects of the benefit granted over the term of the contract), but rather to account for these concessions as negative variable rents (generating an immediate gain in profit or loss).

Thus, this simplification measure can be applied to rent concessions on payments originally due until 30 June 2022. These amendments have not yet been adopted by the European Union.

In the first half of 2021, as in 2020, AFD Group did not benefit from any Covid-19-related rent concessions.

### 3. Principles for the preparation of the consolidated financial statements of AFD Group at 30 June 2021

#### 3.1. Consolidation scope and methods

##### 3.1.1. Scope of consolidation

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

The following are not included in the consolidation scope:

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

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

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

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

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

in percentage of ownership	<b>30/06/2021</b>	<b>31/12/2020</b>
<b>Fully consolidated companies</b>		
Soderag	100,00	100,00
Properco	78,19	78,19
Sogeform	60,00	60,00
Fisea	100,00	100,00
<b>Companies accounted for by the equity method</b>		
Société Immobilière de Nouvelle Calédonie	50,00	50,00
Banque Socredo	35,00	35,00

### Minority interests:

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

Minority interests

*in thousands of euros*

	30/06/2021			31/12/2020		
	% of control and vote held by minority interests	Share of net income	Share of equity (including income)	% of control and vote held by minority interests	Share of net income	Share of equity (including income)
Proparco	21,81%	13 721	170 049	21,81%	-24 592	150 244
Other subsidiaries		-54	4 653		-375	4 708
<b>Total minority share</b>		<b>13 667</b>	<b>174 703</b>		<b>-24 967</b>	<b>154 952</b>
<b>Total Group share</b>		<b>219 529</b>	<b>7 774 043</b>		<b>38 077</b>	<b>6 122 494</b>

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

### 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 four companies are consolidated:

- The Société de Promotion et de Participation pour la Coopération Économique (Proparco), created in 1977.

Proparco's status change from a credit institution to a finance company became effective on 25 May 2016 on receipt of notification from the ECB.

At 30 June 2021, the company's share capital totalled €984M and AFD's stake was 78.19%.

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

At 30 June 2021, the company's share capital amounted to €5.6M. It is 100% owned by AFD;

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

At 30 June 2021, 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 (*société anonyme par actions simplifiée*) with a share capital of €277.0M is wholly-owned by AFD. It is managed by Proparco;

- o Equity method

Companies over which AFD Group has significant influence are accounted for by the equity method. Significant influence means the power to participate in the financial and operating policy decisions of the subsidiary but without having control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes, or (iii) material transactions between the companies. At 30 June 2021, this method was used for two companies in which AFD directly or indirectly holds an equity investment of between 20% and 50% and over which significant influence may be proven: la Société Immobilière de Nouvelle Calédonie (SIC) and Socredo.

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

- o Comments on other companies

AFD also has equity investments in a number of companies over whose management it has no significant influence. Through their equity investments, either directly or through investment funds, and through their lending activities, AFD Group subsidiaries aim to contribute to the economic and social development of disadvantaged regions. In no case will the acquisition of control of the entities be pursued. These companies are not consolidated, either globally or using the equity method, with regard to the normative analyses carried out by the Group on the notion of control and materiality. They are recorded under "Financial assets measured at fair value through profit and loss" or "Financial assets measured at fair value through other comprehensive income".

### 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.

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Gains arising from transactions with equity-accounted entities are eliminated by offsetting equity method investments to the extent of the Group's interest in the entity. Losses are eliminated in the same manner but only when they do not represent an impairment loss.

## **3.2. Accounting policies and principles**

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated financial statements and applicable in line with the Group's principles by entities consolidated by AFD.

The main valuation and presentation rules used in preparing the financial statements of the Agence française de développement to 30 June 2021 are described below.

### **3.2.1. Conversion of foreign currency transactions**

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

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or marked to market. Non-monetary assets denominated in foreign currencies are, in the first case, converted at the exchange rate on the date of the initial transaction or, in the second case, at the rate applicable on the date on which market value was determined. 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 measured at fair value through profit and loss" and in liabilities if the asset is classified under "Financial assets measured at fair value through other comprehensive income".

### **3.2.2. Use of estimates**

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

The use of estimates notably concerns:

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

### **3.2.3. Financial instruments**

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

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

Accordingly, financial assets are classified at amortised cost, at market value through other comprehensive income or at market value through profit and loss, depending on the contractual characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at market value through profit and loss.

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

## Financial assets

### Classification and measurement of financial assets

Upon initial recognition, financial assets are measured at their market value as defined in IFRS 13 and are classified in the Group's balance sheet in one of three categories (amortised cost, fair value through other comprehensive income or fair value through profit and loss), as defined in IFRS 9. Purchases/sales of financial assets are recognised at the completion date. The accounting classification defines the way in which the financial assets are subsequently measured.

This classification depends on the characteristics of their contractual flows and the way in which the entity manages its financial instruments (business model).

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

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan for which interest is paid essentially in consideration of the time value of the money and the credit risk.

The interest may also however contain consideration for other risks (liquidity risk, for example) and charges (admin charges, for instance) for holding the financial asset for a certain period. The interest may include a margin which is in keeping with a basic loan agreement.

However, when the contractual arrangements expose the contractual cash flows to risks or volatility which are not commensurate with a basic loan agreement, for example exposure to variations in the price of equities or goods, the contractual cash flows are not solely payments of principal and interests and the contract is therefore recognised at fair value through profit and loss.

- The management model

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

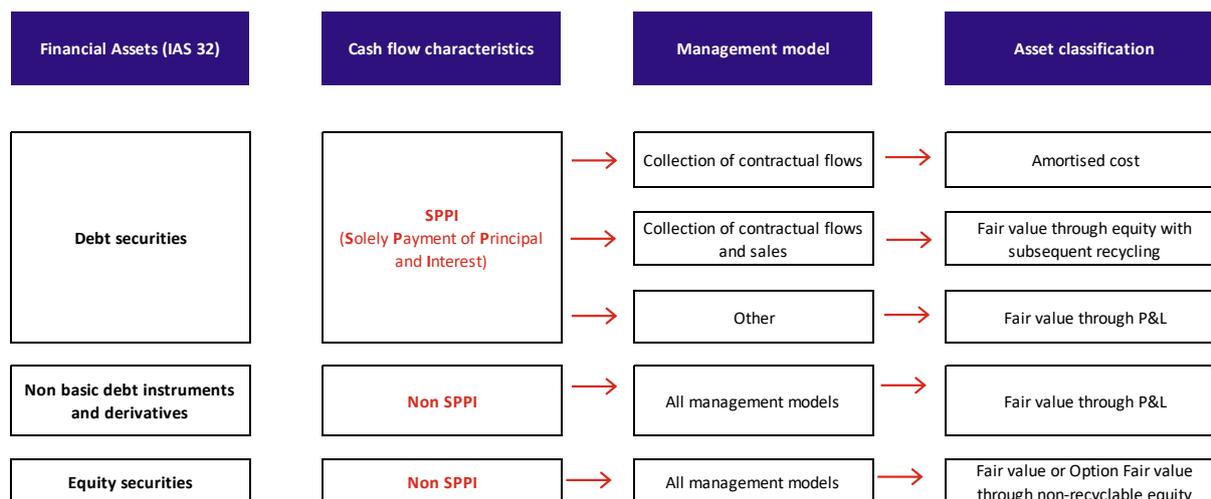
The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

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

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

- The collection only model for contractual cash flows of financial assets;
- The model based on the collection of contractual cash flows and the sale of financial assets;
- And any other model, notably the transfer only model.

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



#### a) Debt instruments at amortised cost

Debt instruments are classified at amortised cost if the following two criteria are met: the contractual cash flows only constitute payments of the principal and interest on the principal and the management model is qualified as collection only. This category of financial assets includes:

- ✓ Loans and receivables

Loans and receivables are initially booked at market value plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever a default event has occurred after the grant of the loan with an impact on future projected asset cash flows and, is therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to book value. The effect of subsequent reversal of the impairment is booked under net banking income.

- ✓ Securities at amortised cost

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

They are recognised initially at market value plus transaction costs and then at amortised cost using the effective interest method, which includes the amortisation of premiums and discounts. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

These financial assets are subject to impairment under the conditions described in the paragraph below “Impairment of financial assets at amortised cost and at fair value through other comprehensive income”.

#### **b) Debt securities at fair value through other comprehensive income**

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

This category essentially corresponds to fixed income and fixed maturity securities that AFD may have to sell at any time, particularly securities held as part of its asset/liability management.

These financial assets are initially measured at their fair value plus transaction costs. They are subsequently marked to market and changes in fair value are recognised in other comprehensive income to be recycled in profit or loss. They are also subject to a calculation of expected credit risk losses on the same terms as those applicable to debt securities at amortised cost (Note 5 – Financial instruments at amortised cost).

Interest is recorded as income using the effective interest method.

On disposal, changes in values previously recognised in other comprehensive income will be transferred to the income statement.

#### **c) Debt securities at fair value through profit and loss**

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

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

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

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

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

used. When there are direct or indirect observable data used for the valuation, the asset is classified as fair value level 2.

When there are no such data or those data are not “observable” (isolated observation, without recurrence), the asset is classified as fair value level 3, just like the unlisted assets. All unlisted assets are classified as fair value level 3 and are evaluated primarily using two methods, the proportionate share of the re-evaluated net asset based on the latest financial statements transmitted by the concerned entities (< 6 months) and the historic cost for AFD’s real estate subsidiaries.

Valuations are reviewed every six months. In the event of any changes to the parameters that could be cause for changes to the fair value classification level, the Group Risks department decides to propose the change in classification that is subject to approval by the Group Risk Committee.

✓ Loans

Some loan agreements have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. The early repayment flows of these loans are considered to be non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.

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

✓ Foreign exchange or interest rate derivatives used in economic hedging

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

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

**d) Equity instruments**

In principle, equity instruments are recognised at fair value through profit and loss. However, the option remains of designating equity instruments at fair value through other comprehensive income not to be recycled in profit or loss. This choice is made on a case-by-case basis for each instrument and is irrevocable.

When the option to designate an equity instrument at fair value through other comprehensive income is made:

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

The IFRS 9 general approach of impairment, does not apply to equity instruments.

#### **e) Reclassification of financial assets**

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

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

### **Financial liabilities**

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

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

Financial liabilities measured using the fair value through profit and loss option are measured at fair value and changes in fair value have an offsetting entry in profit and loss. The effect of the remeasurement of own credit risk is recognised directly in other comprehensive income not to be recycled in profit or loss.

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

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

- Debt securities in issue which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or

negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method;

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

In accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and as per the third stage of additional financing of €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 took place in September 2018, thereby reaching the €840M total for the 2015-2018 period.

On 30 June 2021, AFD received €225M in RCS (resources with special conditions).

### **Derecognition of financial assets and liabilities**

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

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

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

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

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

### **Hedging derivatives**

AFD Group has decided not to apply the third phase of IFRS 9 on "hedge accounting", since AFD applies fair value hedge accounting as defined in IAS 39. This involves a hedge of the exposure to changes in fair value of an asset or liability recognised on the balance sheet. Changes in the fair value stemming from the hedged risk are recorded in the income statement under "Net gains and losses on financial instruments at market 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 foreign-exchange risk.

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

The revaluation of the hedged item is booked either in accordance with the classification of the hedged item, in the case of a hedging relationship covering an identified asset or liability, or under “Revaluation adjustments on portfolios hedged against interest rate risk” in the case of a portfolio hedging relationship.

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

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

### **Impairment of financial assets at amortised cost and at fair value through other comprehensive income**

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

#### **General principle**

AFD Group classifies financial assets into 3 separate categories (also called “stages”) according to the change, from the origin, of the credit risk associated with the asset. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

These are defined as follows:

- Stage 1: is for “performing” assets, for which the counterparty risk has not increased since they were granted. The provision calculation is based on the Expected Loss within the following 12 months;
- Stage 2: are performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The method of calculating the provision is statistically based on expected loss at maturity;
- Stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

### **Concept of default**

The transfer to stage 3 (which meets the definition of “incurred loss” under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard related to this notion, the refutable presumption of 90 days in arrears, stipulates that the definition used must comply with the entity’s credit risk management policy and must include qualitative indicators (i.e. breach of covenant).

Thus, for AFD Group, “stage 3” under IFRS 9 is characterised by the combination of the following criteria:

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

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

The definition of default is aligned with that of the Basel framework, based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

### **Significant increase in credit risk**

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

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

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

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

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

According to this standard, if the risk for a particular financial instrument is deemed to be low at year-end (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This arrangement has been applied for debt securities recognised at fair value through equity to be included in

profit and loss in the future and at amortised cost. For the purposes of stage 1 and 2 classification, counterparties with a very good rating are automatically classified as stage 1.

### **Measuring expected credit losses (ECL)**

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

Based on the specificities of AFD Group's portfolio, work was carried out to define the methodological choices for calculating expected credit losses for all of the Group's assets eligible for recognition at amortised cost or at fair value through equity, in line with stage 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external transition matrices.

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

### **Probability of default (PD)**

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

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

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

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

### **Loss given default (LGD)**

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

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

### Exposure at default (EAD):

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

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

### **Financial asset restructuring**

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If the restructuring does not result in derecognition of the assets and the changes in terms are such that the present value of these new expected future flows at the original effective interest rate of the asset is lower than its book value, a discount must be recognised under "Cost of risk" to bring the book value back to the new present value.

### **Gains or losses on financial instruments**

#### **Gains or losses on financial instruments at fair value through profit and loss**

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

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

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

Income from financial instruments recognised at fair value through other comprehensive income is recognised under this heading, and includes:

- Dividends and other revenue;
- Gains and losses realised on financial assets at fair value through other comprehensive income to be recycled in profit or loss.

### **3.2.4. Commitments to buy out minority interests**

In 2014, and again in 2020 during the Proparco capital increase, the Group made commitments to buy back the equity investments of Proparco's minority shareholders.

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

In the financial statements to 30 June 2021, these commitments led to a debt of €146.5M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "non-controlling interests" in the amount of €116.9M and a decrease in "Consolidated reserves – Group Share"

of €29.5M. The closure of the put window granted in 2014 is scheduled for June 2024 and the one related to the put granted in 2020 is scheduled for 2030.

### 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 similar expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table. This item-by-item approach has been used for head office. Depreciation periods have been estimated on the basis of each item's useful life

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

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

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

With regard to intangible assets, software is amortised according to its type: 4 years to 8 years for management software and 2 years for office automation tools.

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

### Leases

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

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

### Measuring the right of use in leases

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

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

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

### Measuring the right of use of the assets

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

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

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

The change in the debt related to the lease involves:

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

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

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

The lease debt is estimated again in the following situations:

- Review of the lease period;

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

### **3.2.6. Provisions**

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

#### **Provisions for sovereign outstandings**

The agreement “on the reserve account” signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging sovereign risk and the principles for using those provisions.

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

The balance of this account cannot be less than the amount required to establish collective provisions on performing or restructured loans. This calibration is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio’s risk profile).

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

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

#### **Provisions on financing and guarantee commitments**

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

#### **Provisions for subsidiary risk**

This item is intended to cover the cost to AFD of the takeover and liquidation of Soderag, which was decided in 1998, and to cover AFD’s risk of loss on loans issued to Sodema, Sodega and Sofideg to buy Soderag’s portfolio. These loans were transferred to Soredom (formerly 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: 0.7%;
- Retirement age: 63 for non-executive level employees and 65 for executive level employees;
- Annual increase in salary: 2.00%.

#### ➤ Retirement bonuses and the financing of the health insurance plan

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

The assumptions used for the valuations are as follows:

- Discount rate: 0.7%;
- Annual increase in salary: 2.00% and 2.20% for French Overseas Departments;
- Retirement age: 63 for non-executive level employees and 65 for executive level employees;
- Actuarial tables: TGH 05 (men)/TGF 05 (women).

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

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

In compliance with IAS 19 (Revised), actuarial gains and losses are recognised in other comprehensive income (OCI). In the absence of any significant change in rates, the valuation of social commitments remained unchanged at 30 June 2021.

### **3.2.7. 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 book value of assets and liabilities and their tax base.

AFD Group recognises deferred taxes mainly over the costs and expenses on the unrealised gains and losses of the equity securities held by Proparco and FISEA, impairment recognised

by Proparco on loans at amortised cost and on unrealised gains and losses on loans recognised at fair value through profit and loss by applying the current rates.

### **3.2.8. Segment reporting**

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

This lending and grant activity is the Group’s main activity, falling within the scope of its public service role of financing development assistance.

### **3.2.9. Principles of the cash flow statement**

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

AFD’s cash flow statement is presented in accordance with ANC Recommendation No. 2017-02 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with net income restated for non-monetary items: provisions for the depreciation of tangible assets and the amortisation of intangible assets, net allocations to provisions and other transfers not involving cash disbursement, such as accrued liabilities and income.

Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the 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.

### 3.3. Notes to the financial statements at 30 June 2021

#### 3.3.1. Notes to the balance sheet

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

###### Financial assets and liabilities at fair value through profit and loss

<i>in thousands of euros</i>		30/06/2021			31/12/2020		
		Notes	Assets	Liabilities	Notional/Outstanding	Assets	Liabilities
Interest rate derivatives	1.1	356	7 555	482 651	353	10 955	408 825
Foreign exchange derivatives	1.1	86 744	166 638	4 059 820	170 929	238 004	4 740 971
Derivatives at fair value through profit and loss		93 283	42 604	1 049 909	128 158	36 597	1 090 076
Loans and securities that do not meet SPPI criteria	1.2	2 386 666		2 477 884	2 329 084		2 390 826
CVA/DVA		28	1 438	-	15	1 612	-
<b>Total</b>		<b>2 567 077</b>	<b>218 236</b>	<b>8 070 264</b>	<b>2 628 539</b>	<b>287 169</b>	<b>8 630 698</b>

##### Note 1.1 Foreign exchange and interest rate derivatives

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

Under IFRS, a derivative is always presumed to be held for trading, unless there is documented evidence of the hedging intention and the derivative is eligible for hedge accounting. At AFD, this category covers the hedging instruments not eligible for hedge accounting or so-called “natural” exchange rate hedging.

##### Note 1.2 Loans and securities that do not meet SPPI criteria

<i>in thousands of euros</i>		Notes	30/06/2021	Notional/Outstanding	31/12/2020	Notional/Outstanding
<b>Loans to credit institutions</b>	1.2.1		423 883	440 096	437 597	453 225
Performing loans			422 946	422 946	436 718	434 765
Non-performing loans			937	17 149	879	18 460
<b>Loans to customers</b>	1.2.1		680 241	698 344	724 000	721 903
Performing loans			667 635	668 630	718 339	690 426
Non-performing loans			12 607	29 714	5 661	31 478
<b>Title</b>			1 282 541	1 339 444	1 167 487	1 215 699
Bonds and other fixed-income securities	1.2.2		40 042	45 587	39 474	38 900
UCITS			54 658	41 040	54 521	41 044
Equity stakes and other long-term securities	1.2.3		1 187 841	1 252 817	1 073 492	1 135 754
<i>Of which equity stakes held in investment funds</i>			1 041 375	1 130 411	949 287	1 034 222
<i>Of which equity stakes held directly with a put option</i>			146 466	122 406	124 205	101 533
<b>Total</b>			<b>2 386 666</b>	<b>2 477 884</b>	<b>2 329 084</b>	<b>2 390 826</b>

##### Note 1.2.1 Loans that do not meet SPPI criteria

Loan agreements may have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. Loan contracts may also include a remuneration clause indexed to the borrower’s performance. The flows of these loans are not considered as SPPI as they do not only reflect the effect of changes in the benchmark interest rate.

As a result, AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the

methodology for discounting future flows, with a discount rate specific to each loan in accordance with the accounting rules applied by the Group.

### Note 1.2.2 Bonds and other long-term securities

Convertible bonds are debt instruments for which the contractual flows do not meet SPPI characteristics due to the nature of the flows exchanged, and are consequently assessed at fair value through profit and loss.

### Note 1.2.3 Equity investments

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

AFD Group also holds direct equity investments with put options for operational purposes.

The contractual flows of these financial assets are not SPPI and are therefore measured at fair value through profit and loss.

### Note 1.3 Equity instruments at fair value through profit and loss

Equity instruments measured at fair value through profit and loss correspond to investments held by AFD for which the classification at fair value through non-transferable shareholders' equity has not been selected.

The Group has opted for a classification at fair value through non-transferable equity for its portfolio of direct equity investments without put options, which make up the majority of the Group's equity instruments.

## Note 2 - Financial hedging derivatives

### Note 2.1 - Fair value hedging instruments

<i>in thousands of euros</i>	30/06/2021			31/12/2020		
	Book value			Book value		
	Assets	Liabilities	Notional	Assets	Liabilities	Notional
<b>Fair value hedging</b>						
Interest rate derivatives	1 727 603	969 636	50 859 723	2 400 454	1 265 603	49 211 444
Interest rate and foreign exchange derivatives (cross-currency swaps)	371 575	561 795	10 954 419	493 018	615 720	10 113 105
<b>Total</b>	<b>2 099 178</b>	<b>1 531 431</b>	<b>61 814 142</b>	<b>2 893 471</b>	<b>1 881 323</b>	<b>59 324 549</b>

### Note 2.2 - Analysis by residual maturity (notional)

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

<i>in thousands of euros</i>	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	30/06/2021
<b>Fair value hedging</b>					
Interest rate derivatives	2 083	2 201 675	12 333 670	36 322 295	50 859 723
Interest rate and foreign exchange derivatives (cross-currency swaps)	1 071	1 727 898	4 351 525	4 873 925	10 954 419
<b>Total</b>	<b>3 154</b>	<b>3 929 573</b>	<b>16 685 195</b>	<b>41 196 220</b>	<b>61 814 142</b>

<i>in thousands of euros</i>	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31/12/2020
<b>Fair value hedging</b>					
Interest rate derivatives	2 065 000	11 513	13 115 026	34 019 905	49 211 444
Interest rate and foreign exchange derivatives (cross-currency swaps)	1 227 870	376 053	4 285 570	4 223 611	10 113 105
<b>Total</b>	<b>3 292 870</b>	<b>387 566</b>	<b>17 400 596</b>	<b>38 243 517</b>	<b>59 324 549</b>

### Note 2.3 - Hedged items

<i>in thousands of euros</i>	30/06/2021					31/12/2020				
	Current hedges		Expired hedges		Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)	Current hedges		Expired hedges		Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
	Book value	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value		Book value	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	
<b>Interest rate derivatives</b>	<b>17 597 630</b>	<b>701 859</b>		<b>827</b>	<b>-550 535</b>	<b>17 803 602</b>	<b>1 254 424</b>		<b>-4 539</b>	<b>386 049</b>
Loans and receivables due from credit institutions at amortised cost	1 032 623	18 964		121	-13 487	1 062 939	32 437		199	3 419
Loans and receivables due from customers at amortised cost	15 525 958	667 908		2 749	-532 486	15 795 608	1 198 393		58	388 865
Financial assets measured at fair value through other comprehensive income	1 039 049	14 987		-2 043	-4 561	945 055	23 593		-4 796	-6 236
<b>Interest rate derivatives (currency swaps)</b>	<b>5 079 387</b>	<b>249 862</b>		<b>5 352</b>	<b>24 199</b>	<b>4 975 489</b>	<b>226 251</b>		<b>6 346</b>	<b>-221 529</b>
Loans and receivables due from credit institutions at amortised cost	498 182	3 444		1 402	9 352	419 032	-5 938		5 075	-25 747
Loans and receivables due from customers at amortised cost	4 581 205	246 418		3 950	14 847	4 556 458	232 189		1 271	-195 783
<b>Total fair value hedging of assets</b>	<b>22 677 017</b>	<b>951 721</b>		<b>6 179</b>	<b>-526 336</b>	<b>22 779 091</b>	<b>1 480 674</b>		<b>1 807</b>	<b>164 519</b>
<b>Interest rate derivatives</b>	<b>-33 930 425</b>	<b>-1 612 430</b>	<b>61 054</b>	<b>16 479</b>	<b>834 684</b>	<b>-33 374 980</b>	<b>-2 431 234</b>	<b>45 174</b>	<b>45 078</b>	<b>-677 879</b>
Debt securities in issue at amortised cost	-33 930 425	-1 612 430	61 054	16 479	834 684	-33 374 980	-2 431 234	45 174	45 078	-677 879
<b>Interest rate derivatives (currency swaps)</b>	<b>-6 024 950</b>	<b>84 895</b>	<b>0</b>	<b>-21 705</b>	<b>-33 444</b>	<b>-5 339 698</b>	<b>140 280</b>		<b>-107 345</b>	<b>624 267</b>
Debt securities in issue at amortised cost	-6 024 950	84 895	0	-21 705	-33 444	-5 339 698	140 280		-107 345	624 267
<b>Total fair value hedging on liability items</b>	<b>-39 955 375</b>	<b>-1 527 535</b>	<b>61 054</b>	<b>-5 227</b>	<b>801 239</b>	<b>-38 714 678</b>	<b>-2 290 954</b>	<b>45 174</b>	<b>-62 267</b>	<b>-53 612</b>

### Note 2.4 - Income resulting from hedge accounting

<i>in thousands of euros</i>	30/06/2021			31/12/2020		
	Net income (Income from hedge accounting)			Net income (Income from hedge accounting)		
	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge
Interest rate derivatives	-297 172	284 149	-13 023	254 674	-291 867	-37 193
Interest rate and foreign exchange derivatives (cross-currency swaps)	17 909	-9 246	8 663	-337 521	402 738	65 217
<b>Total</b>	<b>-279 264</b>	<b>274 903</b>	<b>-4 360</b>	<b>-82 847</b>	<b>110 870</b>	<b>28 023</b>

(\*): including termination of hedging

### Note 3 - Financial assets at fair value through other comprehensive income

<i>in thousands of euros</i>	30/06/2021		31/12/2020	
	Book value	Change in fair value over the period	Book value	Change in fair value over the period
<b>Debt securities recognised at fair value through other comprehensive income to be recycled in profit or loss</b>	<b>859 775</b>	<b>-4 173</b>	<b>968 908</b>	<b>6 903</b>
Government paper and equivalent	675 807	-3 919	785 639	3 370
Bonds and other securities	183 968	-254	183 270	3 533
<b>Equity securities recorded at fair value through other comprehensive income not to be recycled in profit or loss</b>	<b>534 187</b>	<b>3 155</b>	<b>487 090</b>	<b>-567</b>
Unconsolidated equity stakes	534 187	3 155	487 090	-567
<b>Total</b>	<b>1 393 963</b>	<b>-1 018</b>	<b>1 455 998</b>	<b>6 336</b>

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

<i>in thousands of euros</i>	30/06/2021				31/12/2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets/Liabilities</b>								
Loans and securities that do not meet SPPI criteria	54 658	-	2 332 007	<b>2 386 666</b>	54 521	-	2 274 563	<b>2 329 084</b>
Financial assets recorded through other comprehensive income	829 132	30 643	534 187	<b>1 393 963</b>	938 908	30 000	487 090	<b>1 455 998</b>
Hedging derivatives (Assets)	-	2 099 178	-	<b>2 099 178</b>	-	2 893 471	-	<b>2 893 471</b>
Derivatives (Liabilities)	-	217 135	1 100	<b>218 236</b>	-	285 557	1 611	<b>287 169</b>
Hedging derivatives (Liabilities)	-	1 531 431	-	<b>1 531 431</b>	-	1 881 323	-	<b>1 881 323</b>
Derivatives (Assets)	-	174 054	6 357	<b>180 411</b>	-	288 523	10 932	<b>299 455</b>

- **Sensitivity of the fair value of level 3 instruments**

The category of instruments measured at level 3 fair value mainly comprises equity securities.

The sensitivity calculations do not apply because their valuations are not linked to market parameters.

### Note 5 - Financial instruments at amortised cost

*Financial assets measured at amortised cost*

<i>in thousands of euros</i>	Notes	30/06/2021		31/12/2020	
		On demand	On term	On demand	On term
Debt securities	5.1		1 330 580		1 358 235
Loans and receivables due from credit institutions	5.2	2 381 162	7 463 686	1 639 791	7 319 523
Loans and receivables due from customers	5.2		31 979 847		32 327 164
<b>Total</b>		<b>2 381 162</b>	<b>40 774 113</b>	<b>1 639 791</b>	<b>41 004 923</b>

**Note 5.1 Debt securities at amortised cost**

<i>in thousands of euros</i>	<b>30/06/2021</b>		<b>31/12/2020</b>	
	<b>On demand</b>	<b>On term</b>	<b>On demand</b>	<b>On term</b>
Government paper and equivalent	-	642 412	-	701 693
Bonds and other securities	-	688 168	-	656 542
<b>Total</b>	<b>-</b>	<b>1 330 580</b>	<b>-</b>	<b>1 358 235</b>
Impairment	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

<i>in thousands of euros</i>	<b>30/06/2021</b>		<b>31/12/2020</b>	
	<b>On demand</b>	<b>On term</b>	<b>On demand</b>	<b>On term</b>
<b>Loans to credit institutions at amortised cost</b>		<b>6 170 111</b>		<b>5 919 605</b>
Performing loans		5 940 237		5 617 415
Non-performing loans		229 873		302 190
<b>Impairment</b>		<b>-110 683</b>		<b>-145 559</b>
<b>Related receivables</b>		<b>72 630</b>		<b>63 141</b>
<b>Valuation adjustments of loans hedged by forward financial instruments</b>		<b>38 968</b>		<b>60 154</b>
<b>Subtotal</b>		<b>6 171 025</b>		<b>5 897 342</b>
<b>Loans to customers at amortised cost</b>		<b>31 535 621</b>		<b>31 335 157</b>
Performing loans		30 008 743		30 253 197
Non-performing loans		1 526 878		1 081 960
<b>Impairment</b>		<b>-597 837</b>		<b>-689 285</b>
<b>Related receivables</b>		<b>58 884</b>		<b>41 308</b>
<b>Valuation adjustments of loans hedged by forward financial instruments</b>		<b>983 179</b>		<b>1 639 985</b>
<b>Subtotal</b>		<b>31 979 847</b>		<b>32 327 164</b>
<b>Total loans</b>	<b>-</b>	<b>38 150 872</b>	<b>-</b>	<b>38 224 506</b>
<b>Other receivables</b>				
Deposits (available cash) at credit institutions	2 381 162	1 292 174	1 639 791	1 421 696
Related receivables		487		486
<b>Total other receivables</b>	<b>2 381 162</b>	<b>1 292 661</b>	<b>1 639 791</b>	<b>1 422 182</b>
<b>Total loans and other receivables</b>	<b>2 381 162</b>	<b>39 443 532</b>	<b>1 639 791</b>	<b>39 646 687</b>

At 30 June, sovereign outstanding loans amounted to €20,543M and outstanding loans at State risk amounted to €1,004M.

**Note 6 - Accruals and miscellaneous assets/liabilities**

<i>in thousands of euros</i>	30/06/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
Guarantees against collateral	663 041	809 673	674 060	1 317 621
Allocated public funds		88 652		81 230
Other assets and liabilities	347 100	993 577	301 544	1 025 275
Accounts payable, French State		150 796		136 502
<b>Total accruals and other miscellaneous assets/liabilities</b>	<b>1 010 141</b>	<b>2 042 699</b>	<b>975 604</b>	<b>2 560 629</b>

**Note 7 - Property, plant and equipment and intangible assets**

<i>in thousands of euros</i>	Property, plant and equipment				Total	Total
	Land & development	Buildings & development	Other	Intangible assets	30/06/2021	31/12/2020
<b>Gross value</b>						
At 1 January 2021	89 545	226 114	67 597	119 568	502 824	478 823
Purchases	51	1 631	1 853	12 945	16 480	40 749
Disposals/retirements	0	-184	-931	-41	-1 155	-4 512
Other items	-52	-573	-104	-4 856	-5 586	-12 215
Change in scope	-	-	0	-	0	0,03
<b>At 30 June 2021</b>	<b>89 544</b>	<b>226 989</b>	<b>68 415</b>	<b>127 616</b>	<b>512 563</b>	<b>502 846</b>
<b>Depreciation/amortisation</b>						
At 1 January 2021	3 339	147 052	47 766	73 160	271 318	249 979
Provisions	124	4 437	3 023	5 592	13 176	24 908
Reversals	-0	-178	-921	4	-1 096	-3 572
Other items	-	-	0	1	1	8
<b>At 30 June 2021</b>	<b>3 463</b>	<b>151 311</b>	<b>49 868</b>	<b>78 757</b>	<b>283 400</b>	<b>271 324</b>
<b>Net value</b>	<b>86 080</b>	<b>75 677</b>	<b>18 546</b>	<b>48 859</b>	<b>229 162</b>	<b>231 520</b>

Since 1 January 2019, the AFD Group has applied IFRS 16, resulting in a restatement of property leases impacting “Property, plant and equipment” in assets and rental debts in “Other liabilities”. At 30 June 2021, the right of use was valued at €62.4M.

*in thousands of euros*

	Registered offices	Offices	30/06/2021
<b>Gross value</b>			
At 1 January 2021	88 818	10 241	99 059
New contract			-
Modification of contract			-
Other items			-
<b>At 30 June 2021</b>	<b>88 818</b>	<b>10 241</b>	<b>99 059</b>
<b>Depreciation/amortisation</b>	32 975	3 631	36 606
<b>Net value</b>	<b>55 843</b>	<b>6 610</b>	<b>62 453</b>

**Note 8 - Financial liabilities measured at amortised cost**

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

<i>in thousands of euros</i>	30/06/2021	31/12/2020
<b>Debts to credit institutions at amortised cost</b>		
On demand debts	4 510	11 125
On term debts	699	540
Related debts	-	0
<b>Total debts to credit institutions</b>	<b>5 209</b>	<b>11 665</b>
<b>Debts to customers at amortised cost</b>		
Accounts payable, customers	2 525	2 028
<b>Total customer debts</b>	<b>2 525</b>	<b>2 028</b>
<b>Debt securities in issue at amortised cost</b>		
Interbank market securities	776 510	701 728
Bonds	37 406 561	36 845 286
Related debts	195 907	351 942
Valuation adjustments of debt securities in issue hedged by derivatives	1 588 170	2 470 568
<b>Total debts represented by a security</b>	<b>39 967 148</b>	<b>40 369 524</b>

*Maturity of debt securities issued at amortised cost*

<i>in thousands of euros</i>	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	30/06/2021
<b>Maturity of debt securities issued</b>					
Bonds	2	4 251 654	14 591 277	20 347 704	39 190 638
Interbank market securities	741 463	35 047	-	-	776 510
<b>Total</b>	<b>741 465</b>	<b>4 286 701</b>	<b>14 591 277</b>	<b>20 347 704</b>	<b>39 967 148</b>

<i>in thousands of euros</i>	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2020
<b>Maturity of debt securities issued</b>					
Bonds	3 359 483	1 651 692	14 829 014	19 827 607	39 667 796
Interbank market securities	125 043	576 685	-	-	701 728
<b>Total</b>	<b>3 484 526</b>	<b>2 228 377</b>	<b>14 829 014</b>	<b>19 827 607</b>	<b>40 369 524</b>

*Debt securities in issue by currency*

<i>in thousands of euros</i>	EUR	USD	JPY	CHF	AUD	30/06/2021
<b>Debt securities in issue by currency</b>						
Bonds	32 381 315	6 228 440	110 384	274 761	195 736	39 190 638
Interbank market securities	776 510	-	-	-	-	776 510
<b>Total</b>	<b>33 157 825</b>	<b>6 228 440</b>	<b>110 384</b>	<b>274 761</b>	<b>195 736</b>	<b>39 967 148</b>

<i>in thousands of euros</i>	EUR	USD	JPY	CHF	AUD	31/12/2020
<b>Debt securities in issue by currency</b>						
Bonds	32 753 119	6 351 242	115 025	279 970	168 439	39 667 796
Interbank market securities	701 728	-	-	-	-	701 728
<b>Total</b>	<b>33 454 847</b>	<b>6 351 242</b>	<b>115 025</b>	<b>279 970</b>	<b>168 439</b>	<b>40 369 524</b>

**Note 9 - Provisions**

<i>in thousands of euros</i>	31/12/2020	Provisions	Reversals available	Translation adjustments	30/06/2021
<b>Provisions</b>					
<b>Included in the cost of risk</b>					
French Overseas Department subsidiary risk:	26 531	-	182	-	26 350
Other provisions for risk	180 380	17 957	37 572	-	160 764
<i>Of which stage 1</i>	4 087		-1 447		5 534
<i>Of which stage 2</i>	128 155		-17 089		111 065
<i>Of which stage 3</i>	48 138	17 957	56 108		44 165
<b>Excluded from the cost of risk</b>					
Provision for expenses – Sovereign loans	910 108	38 060	5 090		943 077
Personnel expenses	162 581	1 528	178	-4	163 927
Provision for risks and expenses	7 477	3 335	115	-	10 697
<b>Total</b>	<b>1 287 076</b>	<b>60 881</b>	<b>33 225</b>	<b>-9 918</b>	<b>1 304 815</b>

<b>Asset impairment</b>	31/12/2020	Provisions	Reversals available	Translation adjustments	30/06/2021
Banks	145 558	8 270	43 928	783	110 683
Credit to customers	689 285	56 255	150 405	2 702	597 837
<i>Of which stage 1</i>	9 207	-2 703		-	6 504
<i>Of which stage 2</i>	349 144	-24 126		-	325 017
<i>Of which stage 3</i>	476 493	60 964	163 925	3 414	376 947
Other receivables	10 805	-	-	-	10 805
<b>Total</b>	<b>845 548</b>	<b>64 526</b>	<b>194 333</b>	<b>3 485</b>	<b>719 225</b>

**Note 10 - Subordinated debt**

<i>in thousands of euros</i>	30/06/2021	31/12/2020
Fixed-term subordinated debt	-	695 328
Open-ended subordinated debt	840 006	840 006
<b>Total</b>	<b>840 006</b>	<b>1 535 334</b>

### 3.3.2 Notes to the Income statement

#### Note 11 - Interest income and expenses by accounting category

<i>in thousands of euros</i>	30/06/2021	30/06/2020
<b>From financial assets measured at amortised cost</b>	<b>426 748</b>	<b>397 906</b>
Cash and demand accounts with central banks	1 072	2 725
Loans and receivables	418 818	387 725
Transactions with credit institutions	47 406	48 167
Transactions with customers	371 412	339 558
Debt securities	6 859	7 456
<b>From financial assets measured at fair value through other comprehensive income</b>	<b>8 945</b>	<b>9 093</b>
Debt securities	8 945	9 093
<b>From financial assets measured at fair value through profit and loss</b>	<b>19 859</b>	<b>38 094</b>
Loans and receivables	19 859	38 094
Transactions with credit institutions	7 227	12 783
Transactions with customers	12 632	25 311
<b>Interest accrued and due on hedging instruments</b>	<b>303 810</b>	<b>347 175</b>
<i>Of which transactions with credit institutions</i>	88 370	101 037
<b>Total interest income</b>	<b>759 362</b>	<b>792 268</b>
<b>From financial liabilities measured at amortised cost</b>	<b>224 550</b>	<b>258 937</b>
Financial liabilities valued at amortised cost	224 550	258 937
<b>Interest accrued and due on hedging instruments</b>	<b>265 028</b>	<b>333 446</b>
<b>Other interest and similar expenses</b>	<b>124</b>	<b>99</b>
<b>Total interest expenses</b>	<b>489 702</b>	<b>592 482</b>

#### Note 12 - Net commissions

<i>in thousands of euros</i>	30/06/2021			30/06/2020		
	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	-	-	-	-	-	-
Monitoring and investment commissions	3 211	741	2 470	4 315 *	517	3 798
Analysis commissions	9 635	-	9 635	9 918	-	9 918
Commissions on grants and subsidies	45 392	-	45 392	45 467	-	45 467
Miscellaneous commissions	731	1 692	-961	1 592 *	1 100	493
<b>Total</b>	<b>58 969</b>	<b>2 433</b>	<b>56 536</b>	<b>61 293</b>	<b>1 616</b>	<b>59 676</b>

\* A portion of miscellaneous commissions was reallocated over the period to monitoring and investment commissions

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

<i>in thousands of euros</i>	30/06/2021		30/06/2020	
	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives
<b>Financial assets and liabilities at fair value through profit and loss</b>	<b>29 647</b>	<b>12 268</b>	<b>-97 947</b>	<b>4 575</b>
Income from financial instruments at fair value through profit and loss	-9 266	-1 125	9 164	448
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	52 521		-99 849	
Hedging of loans at fair value through profit or loss	-13 608	13 392	-7 262	4 127
<b>Income resulting from hedge accounting</b>	<b>-4 360</b>	<b>-2 599</b>	<b>-8 685</b>	<b>669</b>
<i>Change in fair value of hedging derivatives</i>	-278 870	2 473	-42 055	544
<i>Change in fair value of the hedged item</i>	274 510	126	33 370	125
<b>Natural hedging/Trading</b>	<b>-19 466</b>	<b>-11 753</b>	<b>-10 395</b>	<b>-2 453</b>
<b>CVA/DVA</b>	<b>187</b>	<b>-</b>	<b>-673</b>	<b>-</b>
<b>Total</b>	<b>6 008</b>	<b>-2 084</b>	<b>-122 497</b>	<b>2 792</b>

**Note 14 - Net gains or losses on financial assets recognised at fair value through other comprehensive income**

<i>in thousands of euros</i>	30/06/2021	30/06/2020
Dividends received on equity instruments recognised at fair value through other comprehensive income not to be recycled in profit or loss	8 120	2 076
Gains or losses on equity instruments recognised at fair value through other comprehensive income not to be recycled in profit or loss	-264	-
Gains or losses on debt securities recorded at fair value through other comprehensive income to be recycled in profit or loss	-1 104	-675
<b>Net gains or losses on financial assets recognised in other comprehensive income</b>	<b>6 753</b>	<b>1 401</b>

**Note 15 - Income from other activities**

<i>in thousands of euros</i>	30/06/2021	30/06/2020
Subsidies	117 520	113 145
Other income	19 543	11 063
<b>Total</b>	<b>137 063</b>	<b>124 209</b>

Subsidies on loans and borrowings are paid by the State to reduce the financing cost or to reduce lending costs for borrowers.

## Note 16 - General operating expenses

### Staff costs

<i>in thousands of euros</i>	30/06/2021	30/06/2020
<b>Personnel expenses</b>		
Wages and bonuses	107 268	105 036
Social security expenses	39 261	37 132
Profit sharing	5 111	4 331
Taxes and similar payments on remuneration	11 836	9 621
Provisions/reversal of provisions	1 346	-
Rebilling banks' staff	-2 296	-3 904
<b>Total</b>	<b>162 527</b>	<b>152 216</b>

### General and administrative expenses

<i>in thousands of euros</i>	30/06/2021	30/06/2020
<b>General and administrative expenses</b>		
Taxes	8 055	9 033
<i>of which application of IFRIC 21</i>	3 579	3 605
Outside services	52 120	53 680
Rebilled expenses	-257	-712
<b>Total</b>	<b>59 917</b>	<b>62 001</b>

## Note 17 - Cost of credit risk

<i>in thousands of euros</i>	30/06/2021	30/06/2020
<b>Impairments on performing (Stage 1) or deteriorated (Stage 2) assets</b>	<b>42 472</b>	<b>- 47 334</b>
<b>Stage 1: Losses assessed at the amount of expected credit losses for the coming 12 months</b>	<b>1 257</b>	<b>2 493</b>
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	2 703	735
Signature commitments	-1 447	1 758
<b>Stage 2: Losses assessed at the amount of expected credit losses for the lifetime</b>	<b>41 216</b>	<b>-49 827</b>
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	24 126	-74 412
Signature commitments	17 089	24 585
<b>Impairments of impaired assets (stage 3)</b>	<b>102 921</b>	<b>-51 876</b>
<b>Stage 3: Impaired assets</b>	<b>101 765</b>	<b>-51 879</b>
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	52 501	-32 248
Signature commitments	49 264	-19 631
<b>Other provisions for risk</b>	<b>1 156</b>	<b>2</b>
<b>Net reversals of impairments and provisions</b>	<b>145 394</b>	<b>-99 210</b>
Losses on loans and bad loans	-126 207	-1 828
Recovery of loans and receivables	-	1
Discounts on restructured loans	27	28
<b>Cost of risk</b>	<b>19 213</b>	<b>-101 008</b>

**Note 18 - Equity method**

<i>in thousands of euros</i>	<b>30/06/2021</b>		<b>31/12/2020</b>		<b>30/06/2020</b>	
	<i>Balance sheet</i>	<i>Income</i>	<i>Balance sheet</i>	<i>Income</i>	<i>Balance sheet</i>	<i>Income</i>
<i>Impact</i>						
SIC	29 503	-1 341	29 659	-7 034	34 266	-2 156
Socredo	111 194	849	110 345	730	108 978	-638
<b>Total</b>	<b>140 697</b>	<b>-493</b>	<b>140 004</b>	<b>-6 305</b>	<b>143 244</b>	<b>-2 794</b>

**Note 19 - Corporate income tax**

<i>in thousands of euros</i>	<b>30/06/2021</b>	<b>30/06/2020</b>
<b>Corporate tax</b>	<b>-9 428</b>	<b>3 825</b>
Taxes due	-5 546	-516
Deferred tax	-3 882	4 341
<b>Underlying tax position</b>		
<i>in thousands of euros</i>	<b>30/06/2021</b>	<b>30/06/2020</b>
<b>Net income</b>	<b>233 197</b>	<b>-74 347</b>
Corporate tax	-9 428	3 825
<b>Pre-tax income</b>	<b>242 625</b>	<b>-78 172</b>
<b>Total theoretical tax expense 34.43% (A)</b>	<b>-34 488</b>	<b>2 369</b>
<b>Total matching items (B)</b>	<b>25 060</b>	<b>1 456</b>
<b>Net recorded tax expense (A) + (B)</b>	<b>-9 428</b>	<b>3 825</b>

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

- Deferred taxes based on impairments were estimated on the basis of the following rates: 28.41% for stage 1 (rate in force in 2021) and 25.83% for stage 2 (rate in force from 2022);
- Deferred taxes based on the unrealised gains or losses on loans and convertible bonds were estimated on the basis of the rate of 28.41%. The same rate is used over costs and expenses on the unrealised gains and losses of the equity investments.

## Note 20 - Financing and guarantee commitments

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

<i>in thousands of euros</i>	30/06/2021	31/12/2020
<i>Commitments received</i>		
Financing commitments received from the French State	-	-
Guarantee commitments received from the French State on loans	1 083 102	1 318 769
Guarantee commitments received from credit institutions	788 754	821 726
<i>as part of the Group's credit activity</i>	<i>788 754</i>	<i>821 726</i>
<i>Commitments given</i>		
Financing commitments made to credit institutions	1 818 441	2 148 651
Financing commitments made to customers	14 653 463	13 485 720
Guarantee commitments made to credit institutions	110 405	116 498
Guarantee commitments made to customers	636 359	534 817

At 30 June 2021, the off-balance sheet items relating to sovereign outstanding loans amounted to €12,834M and off-balance sheet outstanding loans at State risk amounted to €80M.

### 3.4. Credit risk

#### ✓ Concentration of credit risk

##### Financial assets at amortised cost

<i>in thousands of euros</i>	At 31 December 2020				At 30 June 2021			
	Performing assets		Doubtful assets		Performing assets		Doubtful assets	
	stage 1	stage 2	stage 3	Total	stage 1	stage 2	stage 3	Total
<b>Rating</b>								
from AAA to BBB- (Investment)	5 711 085	352 245	-	6 063 330	5 773 380	355 108	-	6 128 488
from BB+ to CCC (Speculative)	3 194 704	5 517 350	-	8 712 054	3 827 619	5 196 996	-	9 024 615
Not applicable*	7 762	-	-	7 762	7 342	-	-	7 342
Doubtful**	-	-	1 205 720	1 205 720	-	-	1 068 784	1 068 784
<b>Total</b>	<b>8 913 551</b>	<b>5 869 595</b>	<b>1 205 720</b>	<b>15 988 866</b>	<b>9 608 341</b>	<b>5 552 104</b>	<b>1 068 784</b>	<b>16 229 230</b>

\* Unused assets relate to budgets granted pending allocation to a final beneficiary

\*\* The CCC rating used at the end of 2019 as the first notch of doubtful debt was replaced in the course of 2020 by a new label "D+" The CCC rating now corresponds to the latest performing rating. This change was made to make the internal rating scale more consistent so that all doubtful third parties have a rating starting with a "D".

##### Sovereign

<i>in thousands of euros</i>	At 31 December 2020				At 30 June 2021			
	Performing assets		Doubtful assets		Performing assets		Doubtful assets	
	stage 1	stage 2	stage 3	Total	stage 1	stage 2	stage 3	Total
<b>Rating</b>								
from AAA to BBB- (RC1 to RC2)	6 904 562	20 930	-	6 925 493	6 835 138	15 564	-	6 850 702
from BB+ to CCC (RC3, RC4, RC5)	10 047 145	2 812 105	-	12 859 251	10 272 771	2 906 151	-	13 178 922
Not applicable*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	348 513	2 757	351 270	-	-	548 394	548 394
<b>Total</b>	<b>16 951 708</b>	<b>3 181 549</b>	<b>2 757</b>	<b>20 136 013</b>	<b>17 107 909</b>	<b>2 921 715</b>	<b>548 394</b>	<b>20 578 018</b>

*Securities at fair value through recyclable equity or at amortised cost*

	Performing assets		Doubtful assets stage 3	Financial assets impaired from their acquisition or creation	Total
	stage 1	stage 2			
<i>in thousands of euros</i>					
<b>Rating</b>	<b>Book value</b>				
from AAA to BBB- (Investment)	1 846 580				1 846 580
from BB+ to CCC (Speculative)	236 568	36 962			273 530
Doubtful					
<b>Total at 30 June 2021</b>	<b>2 083 148</b>	<b>36 962</b>			<b>2 120 110</b>
from AAA to BBB- (Investment)	2 162 017				2 162 017
from BB+ to CCC (Speculative)		72 534			72 534
Doubtful					
<b>Total at 31 December 2020</b>	<b>2 162 017</b>	<b>72 534</b>			<b>2 234 551</b>

*Financing commitments*

<i>in thousands of euros</i>	At 31 December 2020				At 30 June 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
<b>Rating</b>								
from AAA to BBB- (Investment)	1 103 294	730	-	<b>1 104 024</b>	958 242	18	-	<b>958 260</b>
from BB+ to CCC (Speculative)	1 610 642	698 377	-	<b>2 309 019</b>	1 712 199	570 143	-	<b>2 282 343</b>
Not applicable*	181 325	-	-	<b>181 325</b>	164 452	-	-	<b>164 452</b>
Doubtful**	-	-	131 493	<b>131 493</b>	-	-	93 558	<b>93 558</b>
<b>Total</b>	<b>2 895 261</b>	<b>699 108</b>	<b>131 493</b>	<b>3 725 861</b>	<b>2 834 894</b>	<b>570 161</b>	<b>93 558</b>	<b>3 498 613</b>

\* Unused assets relate to budgets granted pending allocation to a final beneficiary

\*\* The CCC rating used at the end of 2019 as the first notch of doubtful debt was replaced in the course of 2020 by a new label "D+" The CCC rating now corresponds to the latest performing rating. This change was made to make the internal rating scale more consistent so that all doubtful third parties have a rating starting with a "D".

## Sovereign

<i>in thousands of euros</i>	At 31 December 2020				At 30 June 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
<b>Rating</b>								
from AAA to BBB- (RC1, RC2)	1 658 618	-	-	<b>1 658 618</b>	1 936 258	-	-	<b>1 936 258</b>
from BB+ to CCC (RC3, RC4, RC5)	8 345 174	1 258 014	-	<b>9 603 188</b>	8 750 975	1 524 468	-	<b>10 275 443</b>
Not applicable*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	524 418	-	<b>524 418</b>	-	-	670 527	<b>670 527</b>
<b>Total</b>	<b>10 003 791</b>	<b>1 782 432</b>	<b>-</b>	<b>11 786 223</b>	<b>10 687 233</b>	<b>1 524 468</b>	<b>670 527</b>	<b>12 882 228</b>

Guarantee commitments

in thousands of euros	At 31 December 2020				At 30 June 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (Investment)	26 151	545	-	26 696	23 314	414	-	23 728
from BB+ to CCC (Speculative)	83 874	446 345	-	530 219	126 714	488 679	-	615 394
Not applicable	-	-	-	0	-	-	-	-
Doubtful	-	-	49 041	49 041	-	507 085,9	54 648	55 155
<b>Total</b>	<b>110 024</b>	<b>446 891</b>	<b>49 041</b>	<b>605 956</b>	<b>150 028</b>	<b>489 601</b>	<b>54 648</b>	<b>694 277</b>

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

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

	Stage 1	Stage 2	Stage 3	Total
<b>Provisions at 31/12/2020</b>	<b>13 293 831</b>	<b>477 298 691</b>	<b>476 526 566</b>	<b>967 119 088</b>
New signatures	1 978 454	4 662 247	-	6 640 701
Extinct exposures	-12 376	-1 801 097	-4 257 393	-6 070 866
Change in exposure	-312 362	-21 968 762	1 469 702	-20 811 422
Stage change	-14 531 088	3 545 592	-8 209 002	-19 194 498
Other (including changes in parameters)	0	5 296 563	-96 776 662	-91 480 099
IFRS restatements			8 279 801	
<b>Total change in operating provisions</b>	<b>-12 877 372</b>	<b>-10 265 456</b>	<b>-99 493 554</b>	<b>-122 636 382</b>
<b>Total change in exceptional provisions</b>	<b>19 520 654</b>	<b>-38 850 303</b>		<b>-19 329 649</b>
<b>Provisions at 30 June 2021 Activity + Parameters + Exceptional provisions</b>	<b>19 937 113</b>	<b>428 182 932</b>	<b>377 033 012</b>	<b>825 153 057</b>

### 3.5. Additional information

#### 3.5.1. IMF balance sheet

<i>in thousands of euros</i>	<b>30/06/2021</b>	<b>31/12/2020</b>
<b>Assets</b>		
Loans and receivables due from credit institutions	390 198	400 109
<i>On demand</i>	283 772	225 720
<i>On term</i>	106 427	174 388
Accruals	6 006	14 659
<b>Total assets</b>	<b>396 204</b>	<b>414 768</b>
<b>Liabilities</b>		
Debt securities in issue	405 272	412 676
<i>Bonds</i>	400 000	400 000
<i>Of which accrued interest</i>	5 272	12 676
Accruals and other miscellaneous liabilities	-9 068	2 091
<b>Total liabilities</b>	<b>396 204</b>	<b>414 768</b>

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French government. With the exception of management fees totalling €0.1M, the IMF loans have no impact on AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

#### 3.5.2. Significant events after 30 June 2021

No significant events took place after 30 June.

## **D. Report of the Statutory Auditors on the 2021 half-year financial information**

### **AGENCE FRANÇAISE DE DÉVELOPPEMENT**

**For the six-month period ended 30 June 2021**

Statutory Auditors' review report on the 2021 half-year financial information

This is a free translation into English of the statutory auditors' review report on the 2021 half-year financial information issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the board of directors of Agence Française de Développement,

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

- the review of the accompanying condensed interim consolidated financial statements of Agence Française de Développement, for the six-month period ended June 30, 2021;
- the verification of the information presented in the interim management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed interim consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed interim consolidated financial statements are the responsibility of the Chief Executive Officer. Our role is to express a conclusion on these financial statements based on our review.

#### **I- Conclusion on the financial statements**

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

A review of interim financial information consists of making inquiries primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable

in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

## **II- Specific verification**

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

Paris La Défense and Paris, September 22, 2021

The statutory auditors

*French original signed by*

## **E. Person responsible for the half-year financial statements**

### **Name and position**

Mr. Bertrand Walckenaer: Deputy Chief Executive Officer

### **Certification of the person responsible**

I certify that to the best of my knowledge the condensed financial statements for the past half-year are drawn up in accordance with the applicable accounting standards, and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The half-year management report featured on page 4 faithfully presents the significant events having occurred in the first half of the financial year and their impact on the financial statements, and describes the primary risks and uncertainties for the second half of the financial year.

Paris, 20 September 2021

Deputy Chief Executive Officer

**Bertrand Walckenaer**