Half-year financial report

30 June 2023

Contents

A. Management report ... 4

1. AFD Group activities ... 4

2. Recent changes and outlook ... 6

2.1. Ukraine crisis ... 6

2.2. Refinancing and liquidity ... 7

2.3. Financial results ... 7

2.4. Capital adequacy ratio and regulatory changes ... 8

2.5. Outlook ... 8

3. Risk factors ... 9

B. Consolidated financial statements prepared in accordance with IFRS accounting standards adopted by the European Union ... 10

C. Notes to the financial statements ... 15

1. Significant events at 30 June 2023 ... 15

1.1. Financing of the Group's activity ... 15

1.2. Appropriation of income for the 2022 financial year ... 15

1.3. AFD capital increase by conversion of RCS ... 15

2. Accounting standards applicable to Agence Française de Développement ... 16

2.1. Application of accounting standards adopted by the European Union ... 16

2.2. IASB and IFRIC texts adopted by the European Union and applied at 1 January 2023 ... 16

2.3. IASB and IFRIC texts adopted by the European Union or in the process of being adopted, but not yet applicable ... 18

3. Principles for the preparation of the consolidated financial statements of AFD Group at 30 June 2023 ... 19

3.1. Consolidation scope and methods ... 19

3.2. Accounting principles and methods ... 22

3.3. Notes to the financial statements at 30 June 2023 ... 39

3.4. Risk information ... 51

3.5. Additional information ... 53

D. Statutory Auditors' review report on the 2023 half-year financial information ... 54

E. Person responsible for the half-year financial report ... 56

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. AFD Group activities

Approvals

The total amount of Group approvals **(AFD including sub-participation and Proparco refinancing)** at 30 June 2023 amounted to €4,107M, compared with €4,404M at 30 June 2022, a decrease of -€296M. This decrease is due to the decline in AFD's activities in the French Overseas Departments and Collectivities, while activity in foreign countries remained stable.

Foreign countries

The **Group's current activity (excluding Proparco refinancing)** in **foreign countries on its own behalf** was €3,164M, stable compared to 30 June 2022.

French Overseas Departments and Collectivities

Approvals in **French Overseas Departments and Collectivities were** €122M, **down -€261M,** explained in particular by a €283M decrease in subsidised loans to local authorities (PCL). The high levels of 2022 were strongly tied to the implementation of emergency financing in New Caledonia.

Third parties

Approvals for activities on behalf of third parties amounted to €495M, up +€149M or +43%, in line with the mandates delegated by the European Union, which reached €156M at 30 June 2023 while no approvals had been granted in the first half of 2022. In addition, activities on behalf of the French State were stable (€328M at 30 June 2023 *versus* €332M at 30 June 2022). In 2023, a debt conversion of €287M in Côte d'Ivoire constitutes the majority of the approvals, whereas in 2022 they were driven by a €300M loan granted to Ukraine.

Disbursements

Group disbursements (AFD and Proparco) amounted to €2,895M at 30 June 2023, compared with €2,783M at 30 June 2022, *i.e.* an increase of 4%, mainly due to disbursements on grants and sovereign loans.

➢ *Activities in foreign countries*

With regard to current activity in foreign countries on its own behalf (**including Proparco sub-participation and excluding refinancing)**, total disbursements stood at €1,915M at 30 June 2023, compared with €1,746M at 30 June 2022 (+10%). The change in disbursements for the different types of activities over the period can mainly be explained by:

- An increase in grant disbursements of +€315M;
- An increase of + €146M in disbursements on sovereign concessional loans.

➢ *Activities in the French Overseas Departments and Collectivities*

AFD's disbursements in the French Overseas Departments and Collectivities amounted to €354M at 30 June 2023, compared with €439M at 30 June 2022, a year marked by the second French State guaranteed loan of €300M granted to French Polynesia at the end of 2021, including €173M disbursed in June 2022. Disbursements remain at a level close to that of previous years, excluding State-guaranteed loans (SGLs).

➢ *Proparco's activity*

Proparco's disbursements for foreign country loans and equity investments fell slightly to €610M in the first half of 2023, compared with €611M for the same period of 2022.

➢ *Third party activity*

Disbursements on behalf of third parties amounted to €197M, down by €209M compared to 30 June 2022. This decrease is mainly due to the granting in 2022 of loans to Ukraine on behalf of the State.

2. Recent changes and outlook

2.1. Ukraine crisis

AFD was very quickly asked by the French government to intervene in support of the Ukrainian government following Russia's invasion of Ukraine. The first transaction took place in March 2023 and was renewed in November under a restricted mandate granted by decision of the CICID[1] co-secretariat on 15 March 2022. AFD had no other mandate to intervene in the country.

At the request and on behalf of the French State, which bears the risk, AFD thus granted (17 March), signed (28 March) and subsequently disbursed (4 April), in record time, budget financing of €300M to support social expenditure for public services (education, health, social transfers, pensions, etc.). This financing does not permit the funds to be used for military expenses or any other purposes on AFD's exclusion list. The terms of the AFD loan were more beneficial than they would have been without the State guarantee. Lastly, by providing foreign currency (euros) to Ukraine, AFD's loan helped to strengthen the country's external equilibrium, which had been under pressure since the beginning of the conflict. AFD reiterated its support to Ukraine in the form of a new financing, covering the same scope, of €100M, granted on 27 October 2022, signed on 28 November and disbursed on 2 January 2023.

Expertise France has also been present in Ukraine for many years, and is implementing the second phase of the Pravo justice project on behalf of the European Union, worth €10M following an initial phase of €15M – a third phase is currently being prepared. It also supports several Ukrainian civil society organisations as part of the Initiative to combat pandemics (€5M will be dedicated to Ukraine in 2024). Finally, the MEAE is preparing to grant Expertise France a budget of €6M for the mAIDan project (P209), which will make it possible to deploy a specific mechanism for Ukraine, including a coordinator in Kiev, to mobilise expertise to identify needs, initiate projects or respond to requests, and to finance or co-finance technical cooperation projects, in particular to leverage European funding.

In the Republic of Moldova, a country bordering Ukraine directly affected by the conflict, AFD provided a financial, technical and humanitarian response in 2022 totalling €88M. In 2023, AFD is continuing to support Moldova through the mobilisation of its various instruments.

Thus, in February, AFD awarded a grant of €2.3M to a consortium of French NGOs led by ACTED to implement programmes to reduce vulnerability to disaster risks and strengthen socio-economic resilience in a region near Transnistria.

In early June, Proparco signed a second credit line, for €10M, to the micro-credit microfinance institution, in support of Moldovan SMEs.

In June 2023, AFD granted new public policy budget financing of €40M to support an ambitious reform of the energy sector in Moldova, with a view to promoting the decarbonisation of the Moldovan economy, strengthening energy security by gradually reducing dependence on Russian gas and supporting convergence of the sector towards European norms and standards.

[1] Interministerial Committee for International Co-operation and Development.

This programme, which runs for a total of six years, is supported by a European grant of €5M for the financing of technical assistance which will be managed by Expertise France.

Finally, AFD continues to prepare future projects in the energy sector (energy efficiency in public buildings) and sustainable management of natural resources (support for the reform of the forestry sector, modernisation of irrigation infrastructure).

2.2. Refinancing and liquidity

In a market marked by several monetary tightenings by central banks and rising interest rate expectations, the first quarter saw a large number of transactions on the markets, with volumes borrowed from January higher than in previous years, followed quite understandably by a quieter phase in which issuers generally made less use of the market. Central banks are tending to continue their action, and key rate expectations are continuing to rise. It should be noted that this half-year was marked by S&P's downgrade of the rating of France to AA-, thereby downgrading the rating of the French agencies rated by this agency. This downgrade led to a technical blackout for the updating of the borrowing programme for a large number of issuers, which in the specific case of AFD followed the blackout for the annual review of the documentation. This period without access to the market was particularly long to be mentioned, but without fear for AFD liquidity, as the start of the year enabled AFD to raise the necessary resources. Before the summer, demand for AFD bonds or similar issuers was strong, as evidenced by AFD’s last largely oversubscribed public transaction.

To finance the growth of its activity on its own behalf, in the first half of 2023, AFD issued eight financing issues under its EMTN programme, including two public transactions and one private placement (in the form of matching contributions) in euros; one public issue in US dollars; one public issue in pound sterling; two private placements in Chinese yuan; and one private placement in Turkish lira. As usual, all foreign currency transactions were converted into euros. The total amount of these transactions was €6.1bn.

For 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 nine to twelve months; the preventive alert threshold is set at eight months and the tolerance threshold at six months. During the first half of 2022, these thresholds were not exceeded.

2.3. Financial results

The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), show net income – Group share of €212M at 30 June 2023, *versus* €255M at 30 June 2022. This decrease was mainly due to a drop in net banking income over the period (€453M compared to €530M in 2022) combined with a reversal in the cost of risk (+€59M).

The decrease in net banking income generated in the first half of 2023 of -€78M is mainly due to decreased income on financial instruments of -€36M (in particular in connection with the decrease in the fair value of equity investments).

The cost of risk stood at +€84M at 30 June 2023, compared with +€24M in the first half of 2022.

Overheads were up by €20M, amounting to €283M at 30 June 2023 compared to €263M at 30 June 2022.

2.4. Capital adequacy ratio and regulatory changes

AFD meets the minimum equity requirements in terms of solvency. The capital adequacy ratio stood at 15.72% at 30 June 2023, up compared with 31 December 2022 (14.98%), reflecting the strengthening of equity by the consolidated 2022 profit and loss and the conversion of the €150M RCS (resource with special conditions).

2.5. Outlook

The AFD Group's 2023 activity comes at a time of strategic transition. The law of 4 August 2021 set a new legislative framework for development policy. The Presidential Development Council (CPD) and the Interministerial Council for International Cooperation (CICID) are currently defining the government’s priorities for this policy. These priorities will be reflected in the next Contractual Targets and Resources (COM) between the French State and Agence Française de Développement for the period 2024-2026 and AFD Group’s fifth Strategic Orientation Plan (SOP V). In view of this timetable, 2023 will be built on the continuity of the COM 2020-2022 and the fourth SOP.

In addition, the deterioration of the global macroeconomic context has led to more constrained sovereign lending activity, particularly on the African continent. To support its activity, the AFD Group is benefiting from an increase in subsidised resources under the 110 programme, enabling it to support its lending trajectory in a context of rising interest rates. Grant resources were also up slightly to €1.7bn, partly due to a doubling of C2D (Debt Reduction-Development Contracts) funds and a slight increase in the CSO Initiatives system. Thus, the Group has set itself a commitment volume of €12bn for 2023 (AFD and Proparco activity excluding delegated funds). Expertise France’s activity should reach €391M in revenue. In 2023, the Group will once again help achieve France's commitments in the areas of climate finance, biodiversity, social link and partnerships, and has set itself the target of signing up to €10.2bn and making disbursements of €9.6bn.

The AFD Group will continue the work undertaken to simplify its processes and modernise its information systems. The action plans drawn up within each of the Executive Departments following the employee survey commissioned by elected officials and carried out by Technologia will be rolled out in 2023. Lastly, in addition to making operational the low-carbon trajectory, the continuation of the momentum initiated around purchasing and responsible digital, awareness-raising and training of employees in sustainable development and energy efficiency, 2023 will also be a key year for analysing and anticipating French and European regulatory changes on sustainability reporting.

3. Risk factors

AFD Group's risk-bearing lending portfolio amounted to €68.1bn (€49.1bn in outstandings and accrued interest not yet due, €19.0bn in undisbursed balance), an increase of €306M (+0.4%) on the first half of 2023. In the first half of 2021 and 2022, this growth was €1,463M (+3%) and €1,037M (+2%) respectively.

This increase is concentrated within AFD's scope (€409M), with at-risk loans on the Proparco portfolio down slightly (-€103M). For AFD, the increase is the result of a rise in sovereign loans (+€550M to €42.5bn) mitigated by a decrease in non-sovereign Group loans (-€244M to €21.4bn).

The Group's overall rate of non-performing loans dropped from 6.6% at the end of 2022 to 5.9%, with:

- A decrease in the rate of non-performing loans for the AFD sovereign portfolio (7.3% to 6.3%);
- A decrease in the rate of non-performing loans for the Group's non-sovereign portfolio, 5.8% to 5.4% (a decrease from 5.2% to 4.4% for AFD and an increase from 9.2% to 9.8% for Proparco).

The Group's non-performing loans outstanding amounted to €2.978M, down €370M, including:

- -€279M for AFD sovereigns amounted to €1,724M (including State-guaranteed loans);
- -€91M for the Group's non-sovereigns amounted to €1.234M (including State-guaranteed loans and loans and securities recognised at fair value through profit or loss);
  - -€118M for AFD non-sovereigns to €823M;
  - +€27M for Proparco non-sovereigns to €411M;
- +€0M for Sogefom amounted to €19M.

The decrease in non-performing sovereign outstandings is mainly due to reclassifications to performing (Mali and Chad), while no country was downgraded to non-performing.

AFD Group's consolidated cost of risk after the transition to IFRS was a net reversal of +€84M, comprising +€92.8M in reversals of collective provisions, -€9.2M in additions to individual provisions, -€0.4M in losses on bad loans and +€0.3M in reversals of other provisions.

The balance of the reserve account for sovereign risk was €1,134M compared to €1,105M at 31 December 2022.

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

Overview

Agence Française de Développement (AFD) is an industrial and commercial public undertaking tasked with financing development assistance, recorded at the Registry in Paris on 17 July 1998. AFD's share capital amounts to €4,568M.

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

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

Balance sheet at 30 June 2023

in thousands of euros	Notes	30/06/2023	31/12/2022	Change
Assets				
Cash, due from central banks		1 678 570	1 010 283	668 287
Financial assets at fair value through profit or loss	1	4 096 401	3 602 749	493 652
Hedging derivatives	2	3 305 962	3 471 842	- 165 880
Financial assets at fair value through other comprehensive income	3	1 580 156	1 584 332	- 4 176
Debt securities at amortised cost	5	4 383 947	1 680 717	2 703 231
Financial assets at amortised cost		46 856 145	47 028 898	- 172 753
Loans and receivables due from credit institutions and equivalent at amortis	5	10 949 315	11 491 039	- 541 724
On demand		*882 992*	*1 429 551*	- 546 559
At maturity		*10 066 323*	*10 061 488*	4 835
Loans and receivables due from customers at amortised cost	5	35 906 830	35 537 860	368 971
Other loans to customers		*35 906 830*	*35 537 860*	368 971
Revaluation differences on interest rate-hedged portfolio		- 7 263	-	- 7 263
Current tax assets		20	193	- 173
Deferred tax assets		27 333	34 596	- 7 263
Accruals and other miscellaneous assets	7	4 784 655	4 800 781	- 16 126
Accruals		*87 272*	*65 166*	22 106
Other assets		*4 697 383*	*4 735 615*	- 38 232
Equity stakes in companies accounted for by the equity method	19	162 862	162 069	793
Property, plant and equipment	8	562 435	542 794	19 641
Intangible assets	8	100 922	93 407	7 515
Total assets		**67 532 146**	**64 012 660**	**3 519 486**
Liabilities				
Financial liabilities at fair value through profit or loss	1	306 727	454 138	- 147 411
Hedging derivatives	2	5 642 058	5 629 463	12 595
Financial liabilities at amortised cost		47 641 345	44 437 791	3 203 554
Debt securities in issue at amortised cost	9	47 634 115	44 420 512	3 213 603
Interbank market securities		*2 266 917*	*1 988 682*	278 235
Bond		*45 367 198*	*42 431 831*	2 935 368
Subordinated debt		*991 164*	*840 622*	150 542
Debts to credit institutions and equivalent at amortised cost	9	4 934	14 524	- 9 590
On demand		*4 236*	*12 626*	- 8 390
At maturity		*698*	*1 898*	- 1 200
Debts to customers at amortised cost	9	2 296	2 755	- 459
Other debts		*2 296*	*2 755*	- 459
Revaluation differences on interest rate-hedged portfolio		-	*298*	- 298
Current tax liabilities		24 712	5 412	19 300
Deferred tax liabilities		11 531	13 147	- 1 616
Accruals and other miscellaneous liabilities	7	2 431 972	2 426 201	5 772
Allocated public funds		*72 587*	*73 898*	- 1 311
Other liabilities		2 359 385	2 352 302	7 083
Provisions	10	1 433 181	1 440 951	- 7 770
Subordinated debt	11	991 164	840 622	150 542
Total debts		**58 482 689**	**55 248 022**	**3 234 668**
Equity Group share	(Tab 1)	8 879 544	8 591 319	288 225
Provisions and related retained earnings		5 027 999	4 877 999	150 000
Consolidated retained earnings and other		3 483 057	3 095 831	387 226
Gains and losses recognised in other comprehensive income		156 096	161 246	- 5 150
Earnings for the period		212 392	456 243	- 243 851
Non-controlling interests	(Tab 1)	169 913	173 319	- 3 406
Total equity		**9 049 456**	**8 764 638**	**284 818**
Total liabilities		**67 532 146**	**64 012 660**	**3 519 486**

Income statement at 30 June 2023

in thousands of euros	Notes	30/06/2023	30/06/2022	Change
Interest and related income	12	**1 787 996**	**766 222**	**1 021 774**
Transactions with credit institutions		764 561	177 723	586 838
Transactions with customers		551 966	364 542	187 423
Bonds and other fixed-income securities		60 457	14 848	45 609
Other interest and related income		411 012	209 109	201 904
Interest and related expenses	12	**1 571 022**	**527 110**	**1 043 912**
Transactions with credit institutions		467 847	346 502	121 345
Transactions with customers		579	241	338
Bonds and other fixed-income securities		394 848	221 502	173 345
Other interest and similar expenses		707 749	- 41 135	748 883
Commissions (income)	13	**71 944**	**74 857**	**- 2 913**
Commissions (expenses)	13	**2 189**	**3 095**	**- 906**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	14	**6 703**	**42 363**	**- 35 660**
Net gains or losses on financial assets recognised at fair value through other comprehensive income	15	**9 096**	**10 478**	**- 1 381**
Income from other activities	16	**313 504**	**281 441**	**32 063**
Expenses on other activities	16	**163 410**	**114 864**	**48 547**
Net banking income		**452 623**	**530 292**	**- 77 669**
Overheads	17	**283 342**	**262 866**	**20 477**
Salary and employee benefit expenses		205 065	190 105	14 960
Other administrative expenses		78 277	72 761	5 516
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	8	**25 073**	**23 864**	**1 209**
Gross operating income		**144 208**	**243 563**	**- 99 355**
Cost of credit risk	18	**83 535**	**24 304**	**59 231**
Operating income		**227 742**	**267 867**	**- 40 124**
Share of earnings from companies accounted for by the equity method	19	**1 946**	**5 467**	**- 3 520**
Net gains or losses on other assets		**9**	**5**	**4**
Changes in the value of goodwill		**-**	**2 797**	**- 2 797**
Pre-tax income		**229 698**	**276 136**	**- 46 438**
Corporate income tax	20	**- 20 575**	**- 1 349**	**- 19 226**
Net income		**209 123**	**274 787**	**- 65 664**
Non-controlling interests		**- 3 268**	**19 382**	**- 22 650**
Net income - Group share		**212 392**	**255 405**	**- 43 013**

Net income and gains and losses recognised directly in other comprehensive income at 30 June 2023

in thousands of euros	30/06/2023	31/12/2022
Net income	**209 123**	**481 128**
Net gains and losses directly recognised directly in other comprehensive income to be recycled in profit or loss	**1 653**	**1 506**
Net gains or losses on debt instruments recognised in other comprehensive income to be recycled in profit or loss that may be recycled	1 653	1 506
Net gains and losses recognised directly in other comprehensive income not to be recycled in profit or loss:	**-8 699**	**94 791**
Actuarial gains and losses on retirement benefits	-	62 635
Net gains and losses on equity instruments recognised in other comprehensive income not to be recyclable in profit or loss	-8 699	32 156
Total gains and losses recognised directly in other comprehensive income	**-7 047**	**96 297**
Net income and gains and losses recognised directly in other comprehensive income	**202 077**	**577 424**
of which Group share	207 242	548 909
of which non-controlling interests	-5 166	28 515

Statement of changes in equity from 1 January 2022 to 30 June 2023

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
Equity at 01/01/2022	**4 227 999**	**460 000**	**2 822 844**	**297 822**	**68 579**	**7 877 243**	**181 356**	**8 058 600**
Share of 2021 income allocated to retained earnings	-	-	297 822	-297 822	-	-	-	-
Dividends paid	-	-	-47 950	-	-	-47 950	-5 243	-53 193
Other changes	-	-	-522	-	-	-522	-21	-543
Changes related to put options	-	-	21 602	-	-	21 602	-11 098	10 504
AFD capital increase	190 000	-	2 036	-	-	192 036	-20 190	171 846
2022 net income	-	-	-	456 243	-	456 243	24 885	481 128
Gains and losses recognised directly in other comprehensive income in 2022	-	-	-	-	92 666	92 666	3 631	96 297
Equity at 31/12/2022	**4 417 999**	**460 000**	**3 095 831**	**456 243**	**161 245**	**8 591 319**	**173 319**	**8 764 639**
Share of 2022 income allocated to retained earnings	-	-	456 243	-456 243	-	-	-	-
Dividends paid	-	-	-72 534	-	-	-72 534	-	-72 534
Other changes	-	-	-970	-	-	-970	-272	-1 242
Changes related to put options	-	-	4 486	-	-	4 486	2 032	6 518
AFD capital increase	150 000	-	-	-	-	150 000	-	150 000
Income for the first half of 2023	-	-	-	212 392	-	212 392	-3 268	209 123
Gains and losses directly recognised in other comprehensive income for the first half of 2023	-	-	-	-	-5 150	-5 150	-1 897	-7 047
Equity at 30/06/2023	**4 567 999**	**460 000**	**3 483 057**	**212 392**	**156 096**	**8 879 544**	**169 913**	**9 049 457**

Cash flow statement at 30 June 2023

in thousands of euros	30/06/2023	31/12/2022
Pre-tax income (A)	**229 698**	**485 885**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	17 338	30 701
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	7 712	15 531
Provisions net of other provisions (including technical insurance provisions)	-59 361	70 407
Share of earnings from companies accounted for by the equity method	-1 946	-15 409
Net loss/(net gain) on investment activities	-50 991	-3 356
Net loss/(net gain) on financing activities	3 523	48 396
Other items (1) (2)	-94 194	359 287
Total non-cash items included in net pre-tax income and other items (B)	**-177 920**	**505 557**
Cash received from credit institutions and equivalent	-42 414	-1 208 300
Cash received from customers	-19 453	-3 215 550
Cash flows from other operations affecting other financial assets or liabilities	-3 140 213	-1 026 312
Cash flows from operations affecting non-financial assets or liabilities	174 904	-3 476 617
Taxes paid	-14 486	-5 489
= Net increase (decrease) in cash-related assets and liabilities from operating activities (C)	**-3 041 661**	**-8 932 268**
Net cash flows from operating activities (A + B + C)	**-2 989 883**	**-7 940 825**
Cash flows from financial assets and equity investments (*)	103 269	-292 732
Cash flows from property, plant and equipment and intangible assets	-51 321	-378 421
Net cash flows from investment activities	**51 948**	**-671 153**
Cash flows related to the application of IFRS 16	-4 238	-14 690
Cash flows from shareholders (**)	296 813	240 000
Cash flows to shareholders (***)	-72 534	-53 822
Other net cash flows from financing activities (****)	2 848 470	6 464 676
Net cash flows from financing activities	**3 068 512**	**6 636 164**
Net increase/(decrease) in cash and cash equivalents	**130 577**	**-1 975 814**
Opening balance of cash and cash equivalents	**2 424 453**	**4 400 266**
Net balance of cash accounts and accounts with central banks (1)	1 010 283	2 085 492
Net balance of on-demand loans and deposits from credit institutions and customers (2)	1 414 170	2 314 774
Ending balance of cash and cash equivalents	**2 555 030**	**2 424 453**
Net balance of cash accounts and accounts with central banks	1 678 570	1 010 283
Net balance of on-demand loans and deposits from credit institutions and customers	876 460	1 414 170
Change in cash and cash equivalents	**130 577**	**-1 975 814**

(1) Composed of the net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet.

(2) Net balance of "On-demand receivables and payables from/to credit institutions".

**Cash flows from 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 to non-controlling 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.*

C. Notes to the financial statements

1. Significant events at 30 June 2023

1.1. Financing of the Group's activity

To finance the growth of its own activity, in the first half of 2023 AFD issued four public bonds and three private placements, as well as one tap issue, for a total volume of €6.1bn.

1.2. Appropriation of income for the 2022 financial year

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

The Board of Directors approved the 2022 financial statements on 20 April 2023.

The French Minister of the Economy and Finance set the 2022 dividend to be paid by AFD to the State. It amounted to €73M, *i.e.* 20% of AFD's corporate income (€363M at 31 December 2022), and was paid out after publication in the Official Journal.

This proposal was rendered enforceable by order of the Minister of the Economy and Finance and the Minister of Public Action and Accounts, published on 26 May 2023.

The balance of income after payment of the dividend, *i.e.* €290M, was allocated to reserves.

1.3. AFD capital increase by conversion of RCS

On 8 June 2023, AFD signed an agreement with the French State authorising an increase in AFD's capital of €150M, in order to strengthen the Agency's equity.

This capital increase was carried out by the disbursement by the French State of a capital allocation of €150M in the first half of 2023, then by the early repayment to the French State of the resource with special conditions (RCS) in the books of AFD for the second half of 2023, in accordance with the order of 9 May 2023 published in the Official Journal.

AFD's initial allocation, which was €4,418M at the end of 2022, stood at €4,568M at 30 June 2023.

2. Accounting standards applicable to Agence Française de Développement

2.1. Application of accounting standards adopted by the European Union

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented according to recommendation no. 2022-01 of 8 April 2022 on the format of consolidated financial statements of banking sector institutions prepared in accordance with international accounting standards.

The consolidated financial statements of AFD Group at 30 June 2023 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 at 30 June 2023 are described in section 4.2.

2.2. IASB and IFRIC texts adopted by the European Union and applied at 1 January 2023

The standards and interpretations used in the financial statements at 30 June 2023 were supplemented by the provisions of IFRS as adopted by the European Union and with mandatory application for the first time during this period. They relate to:

Standards applicable for the current financial year	Provisional date of application
Amendments to IFRS 17 and IFRS 9 – IFRS 17 "Insurance Contracts"	1 January 2023
Amendments to IAS 1 "Accounting policy disclosures"	1 January 2023
Amendments to IAS 8 "Definition of an accounting estimate"	1 January 2023
Amendments to IAS 12 "Income Taxes – Deferred taxes relating to assets and liabilities arising from the same transaction"	1 January 2023

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

The AFD Group does not carry out any activities in the insurance sector. Consequently, IFRS 17 has no impact on the Group's consolidated financial statements.

- ✓ **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 AFD Group's departments (Operations, Legal, Risks, Information Systems and Communication). Working groups with central banks and authorities as well as a customer communication plan were initiated. At the same time, AFD Group regularly monitored the proposals and recommendations of market players.

All our new agreements have included fallback provisions since early 2020.

The work related to operational and systems impacts was carried out in 2021 as part of the "information transformation" programme of the Group's Finance Department and Risk Department.

Work on the transition in 2022 focused on the transition of the stock of loans and derivatives.

Reminder of key dates and events:
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).

The FCA, the UK Financial Conduct Authority, formally prohibited the use of USD LIBOR from 1 January 2022 for new loan agreements.

Following the FCA announcement of the end of the USD LIBOR publication in June 2023, the ARRC, Alternative Reference Rates Committee, in charge of identifying a replacement rate for USD LIBOR, has:

- ✓ formally recommended the CME Term SOFR as the replacement rate for the USD LIBOR for bilateral and syndicated loans;
- ✓ formally recommended the use of the SOFR Compound for derivatives, with the option of using Term SOFR to hedge Term SOFR loans.

In line with the recommendations of the ARRC, the AFD Group offered its customers a migration to Term SOFR for bilateral loans and syndicated loans in inventory.
With a few rare exceptions concerning loans in syndication, the entire stock of loans has migrated to Term SOFR for all maturities after 30/06/2023.

For the stock of derivatives, the transition of part of the stock was carried out by the ISDA Protocol in Term SOFR (32%), and part was restructured into Compound SOFR (68%).

In line with the official recommendations, the new agreements in USD will be proposed on the basis of the CME Term SOFR rate.

In September 2019, the IASB introduced amendments to IAS 39, IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which change 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 AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR.

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.

These amendments have been applied by the Group since 31 December 2020, which allows it to maintain its existing hedging relationships, which have been amended due to the transition to the new benchmark rates (transition from the EONIA discount rate to €STR).

The transition from USD LIBOR to Term SOFR had no significant impact on the Group's financial statements at 30 June 2023.

The other standards and interpretations applicable at 1 January 2023 had no material impact on the Group's financial statements at 30 June 2023.

2.3. IASB and IFRIC texts adopted by the European Union or in the process of being adopted, but not yet applicable

The IASB has published standards and amendments, not all of which had been adopted by the European Union at 30 June 2023. They will come into force on a mandatory basis for financial years beginning on or after 1 January 2024 at the earliest, or their adoption by the European Union. They were therefore not applied by the Group at 30 June 2023.

Standards applicable to future financial years	Provisional date of application
Amendments to IFRS 16 "Leases – Sale-leaseback obligations"	1 January 2024
Amendments to IAS 1 "Classification of liabilities as current or non-current"	1 January 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	1 January 2024
Amendments to IAS 12 – International Tax Reform – Pillar II OECD Model Rules	To be defined

3. Principles for the preparation of the consolidated financial statements of AFD Group at 30 June 2023

3.1. Consolidation scope and methods

3.1.1. Consolidation scope

Agence Française de Développement'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.

Significant assumptions and judgments applied to determine the consolidation scope in accordance with IFRS 10-11-12:

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.

in percentage of ownership	30/06/2023	31/12/2022
Fully consolidated companies		
Soderag	100.00	100.00
Proparco	79.76	79.76
Sogefom	60.00	60.00
Fisea	100.00	100.00
Expertise France	100.00	100.00
Companies accounted for by the equity method		
Société Immobilière de Nouvelle Calédonie	50.00	50.00
Banque Socredo	35.00	35.00

Non-controlling interests:

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

in thousands of euros	30/06/2023			31/12/2022		
	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)
Proparco	20,24%	-3 528	165 611	20,24%	25 131	169 277
Other subsidiaries		260	4 302		-247	4 042
Total non-controlling interests		**-3 268**	**169 913**		**24 885**	**173 319**
Total Group share		**212 392**	**8 879 544**		**456 243**	**8 591 319**

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. The Group controls an entity when the following three conditions are met:

i. The Group has power over the entity (ability to direct its relevant activities, *i.e.* those that have a significant impact on the entity's returns), through the holding of voting rights or other rights; and

ii. The Group is exposed or has rights to variable returns as a result of its ties with the entity; and

iii. The Group has the ability to exercise its power over the entity in such a way as to affect the amount of returns it obtains.

The consolidation method consists of incorporating all the financial statements item by item, with recognition of the rights 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 2023, the company's share capital totalled €984M and AFD's stake was 79.76%.
- 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 2023, this company's share capital amounted to €111.9M. It is 100% owned by AFD.
- The Société de gestion de 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 2023, this 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 €327.0M is wholly-owned by AFD. FISEA is managed by Proparco.

- Expertise France, of which AFD took control on 1 January 2022 following the publication of the AFD/Expertise France strategic project for an extended group to serve France's development policy. This simplified joint stock company (*société anonyme par actions simplifiée*) with a share capital of €829K is wholly-owned by AFD.

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 or joint 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 2023, 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 the equity investment by using the company's net position and calculating the share of its income restated for reciprocal transactions according to the equity investment 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 at fair value through profit or loss" or "Financial assets at fair value through other comprehensive income".

3.1.3. Restatement of transactions

Balance sheet balances and transactions, income and expenses resulting from intra-group transactions are eliminated in the preparation of the consolidated financial statements from the date of acquisition of control. Gains arising from transactions with equity-accounted companies 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.

3.1.4. Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 revised.

The consideration paid is determined at the fair value, on the acquisition date, of the assets delivered, the liabilities incurred and the equity instruments issued in exchange for control of the acquired company.
Any earnouts are included in the acquisition cost at their estimated fair value on the acquisition date and revalued at each closing date, with subsequent adjustments recorded in profit or loss if the earnout meets the definition of a debt instrument.
The identifiable assets, liabilities and contingent liabilities of acquired entities are recorded at their fair value on the acquisition date.

Contingent liabilities of the acquired entity are only recognised in the consolidated balance sheet if they are representative of a present obligation at the date of the business combination and their fair value can be reliably estimated.

The costs directly attributable to the business combination constitute a separate transaction and are recorded in profit or loss.

Goodwill corresponds to the difference between (i) the acquisition cost of the entity, non-controlling interests and the fair value of the share previously held, and (ii) the revalued net asset. If it is positive, it is recorded as an asset in the consolidated balance sheet under "Goodwill"; in the event of a negative difference, it is immediately taken to profit or loss.
As goodwill is not taxable, no deferred taxes calculation is made.

The analyses required for the initial assessment of these items and any amendments thereto can be made within a period of 12 months from the acquisition date.
Goodwill is recorded in the balance sheet at its historical cost in the reference currency of the acquired subsidiary and translated on the basis of the official exchange rate at the closing date. It is regularly reviewed by the Group and tested for impairment at least once a year and whenever there is an indication of impairment.

When the recoverable value of the underlying asset, defined as the higher of the market value and the value in use of the entity concerned, is lower than its carrying amount, an irreversible impairment of goodwill is recorded in profit or loss.
The carrying amount of goodwill from associates is included in the equity-accounted value.

3.2. Accounting principles and methods

AFD's consolidated financial statements are prepared using accounting policies 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 Agence Française de Développement at 30 June 2023 are described below.

3.2.1. Conversion of foreign currency transactions

The financial statements are denominated in euros, AFD's functional currency.
Monetary assets and liabilities denominated in foreign currencies are converted into the Group's accounting currency (euros) at the closing rates. Foreign exchange differences are recognised in the income statement.
Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or fair value. 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 fair value was determined. Foreign exchange differences relating to non-monetary assets denominated in foreign currencies and recognised at fair value are recognised in profit or loss when the asset is classified as "financial assets at fair value through profit or loss" and in other comprehensive income when the asset is classified as "financial assets 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 policies and principles 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 balance sheet liabilities (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 fair value through other comprehensive income or at fair value through profit and loss, depending on the contractual characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

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

Financial assets

Classification and measurement of financial assets

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

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

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan agreement 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.

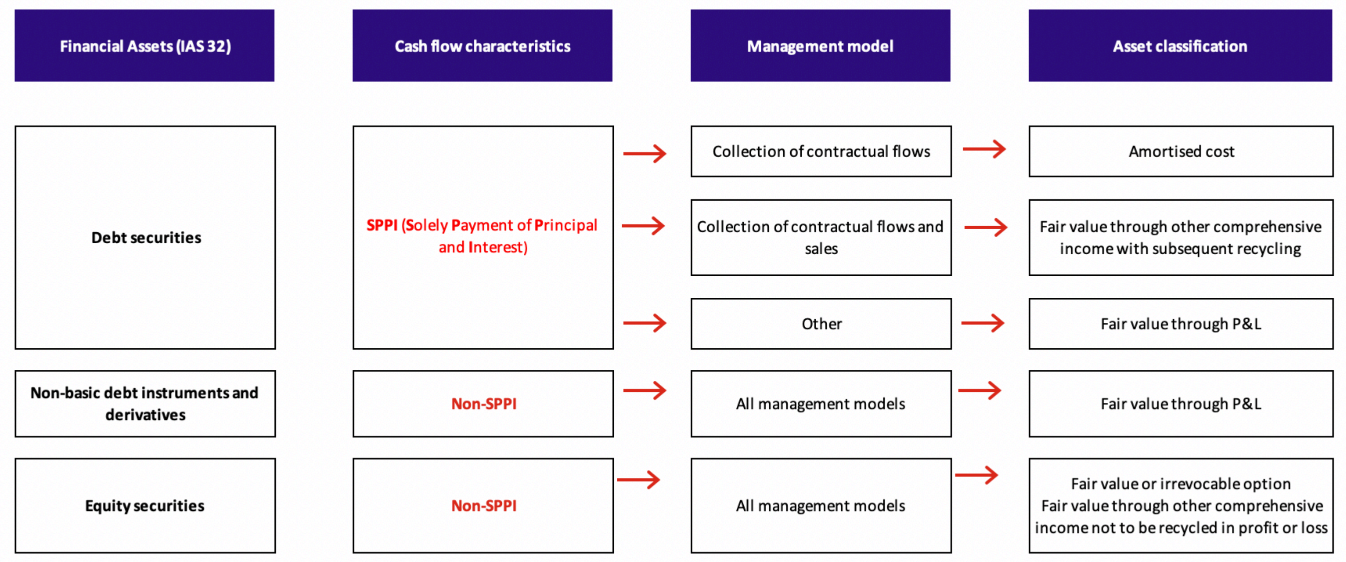
The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

- 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 securities 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:

- ✓ <u>*Loans and receivables*</u>

Loans and receivables are initially booked at market value plus transaction costs. In general, this is the amount originally paid (including related loans). After initial recognition, loans and receivables are measured at amortised cost based on the effective interest rate.

In accordance with IFRS 9, loans and receivables are impaired upon initial recognition, on the basis of a collective provisioning. They may also be subject to individual impairment, if there is a default event occurring after the loan was put in place, which has an impact on the estimated future cash flows of the assets and thus, likely to generate a measurable loss. These impairments are determined by comparing discounted cash flows to carrying amount.

- ✓ <u>*Securities at amortised cost*</u>

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 instruments 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 measured at fair value and changes in fair value are recorded in other comprehensive income that may be recycled. 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.

Upon disposal, changes in value 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 investment funds and direct equity investments with put options and other debt instruments (e.g. UCITS, etc.)*

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

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

Listed assets are divided into two subgroups, those listed on an “active” market, an attribute that is appraised according to objective criteria, or those listed on an inactive market. Assets listed on an “active” market are automatically classified as fair value level 1 according to IFRS 13. 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 according to IFRS 13.

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 (<six 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 Risk Department decides to propose the change in classification that is subject to approval by the Group Risk Management 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 in the income statement. 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 on 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, there is the option to designate equity instruments at fair value through other comprehensive income not to be recycled on 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 chosen:

- Only the dividends that do not represent the recovery of part of the cost of the investment are recognised in the income statement under "Net gains or losses on financial assets at fair value through other comprehensive income";
- Changes in the fair value of the instrument are only recognised in other comprehensive income and are not subsequently transferred to profit or loss. 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 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 at fair value through profit or loss under the fair value option are measured at fair value through profit or loss for changes in fair value, with the effect of remeasuring own credit risk to be recognised directly in non-recyclable other comprehensive income.
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 ten-year grace period, with any new tranche of borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a ten-year grace period).

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

In 2023, AFD received €150M in resources with special conditions: a capital increase of €150M was carried out by conversion of this RCS, in accordance with the order of 9 May 2023 published in the Official Journal.

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 carrying amount of that asset and the amount of consideration received should be recognised in the income statement 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 carrying amount of that liability and the consideration paid must be recognised in the income statement 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 or 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 or loss" or to "Financial liabilities at fair value through profit or 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). Impairments are recognised on debt instruments measured at amortised cost or fair value through other comprehensive income to be recycled in profit or loss that can be recycled, 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 three 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 groups together performing assets for which a significant increase in credit risk has been observed since initial recognition. The method of calculating the provision is statistically based on expected loss at maturity;
- Stage 3 is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

Concept of default

The transfer to stage 3 (which meets the definition of "incurred loss" under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard associates the rebuttable presumption of 90 days past due with this concept. It states that the definition used must be consistent with the entity's credit risk management policy and must include qualitative indicators (*i.e.* breach of covenant).

Thus, for 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 closing date, 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 the closing date (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This arrangement has been applied for debt securities recognised at fair value through other comprehensive income that may be recycled 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 over 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 other comprehensive income, 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 restated 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.

In addition, IFRS 9 parameters now take into account the economic environment expected over the projection horizon (forward-looking). AFD Group takes forward-looking information into account when measuring expected credit losses.

The adjustment of parameters to the economic environment is based on the upward modulation of provisions according to macroeconomic projections to define groups of countries (*i.e.* list of non-sovereign counterparties in the portfolio in these countries). The main criteria used are:

- The IMF's GDP growth outlook;
- The outlook of rating agencies;
- The degree of debt sustainability published by the World Bank.

The cross-referencing of these three indicators (with weightings for each indicator value) leads to the definition of a list of countries which is submitted for expert review at Group level.

Once the list has been validated by the various stakeholders, the geographies are then classified according to the expected economic context (very deteriorated, deteriorated, stable, favourable, very favourable).
These expectations are taken into account in collective provisions using multipliers intended to add a buffer of additional provisions in regions where the economic environment is deemed to be deteriorated in the short term.

<u>Probability of default (PD)</u>

The probability of 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
- Over the entire duration of loan repayments for stage 2 assets (known as the PD maturity curve, or lifetime PD).

The PD matrix for non-sovereign loans is supplemented in order to favour internal data when available (portfolio with a non-investment grade rating).

<u>Loss given default (LGD)</u>

Loss given default (LGD) is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.
In order to take into account AFD's business model and its recovery capacity, AFD Group relies on the observation of recovery on historical files that have been resolved (*i.e.* with extinction of the position after repayment and/or transfer to losses).

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 carrying amount, a discount must be recognised under "Cost of credit risk" to bring the carrying amount back to the new present value.

Gains or losses on financial instruments

Gains or losses on financial instruments at fair value through profit or 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 or 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 that may be recycled.

3.2.4. Commitments to buy out non-controlling 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 annual financial statements at 30 June 2023, these commitments reflect a debt of €112M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "non-controlling interests" of €130M and an increase in "Consolidated reserves – Group Share" of €18M. 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 and amortisation periods have been estimated on the basis of each item's useful life:

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

Other property, plant and equipment are depreciated using the straight-line method:
- ✓ Office buildings in the French Overseas Departments and Collectivities are depreciated over 15 years;
- ✓ Residential buildings are depreciated over 15 years;
- ✓ Fixtures, fittings and furnishings are depreciated over five or ten years;
- ✓ Equipment and vehicles over two to five years.

With regard to intangible assets, software is amortised according to its type: five years to eight years for management software and two years for office automation tools.

Depreciation and amortisation are calculated using the straight-line method, according to the expected useful period of the asset; its residual value is deducted from the depreciable base. At each closing date, fixed assets are measured 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 of use of 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 in signing the lease. 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 lease payments less incentive benefits received from the lessor;
- The variable lease payments based on an index or rate;
- The payments to be made by the lessee in respect of a residual value guarantee;
- The price paid to exercise a purchase option that the lessee is reasonably certain to exercise;
- The penalties to be paid in the event of the exercise of a cancellation option or the non-renewal of the lease.

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

The change in the debt related to the lease involves:
- An increase up to the interest rate expenses set by applying the discount rate to the debt;
- And a reduction in fixed lease payments.

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 depreciation charge for the right of use of the asset and the finance expense relating to the interest on the lease liability partly replace the operating expense previously recognised for lease payments, but are presented under two different headings (depreciation charge under depreciation and amortisation, interest expense under other interest and related expenses, and the lease payment under 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 for sovereign outstandings

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

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

The balance of this account cannot be less than the amount required to establish collective provisions on performing or restructured loans. This calibration is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at 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).

Non-performing sovereign outstanding loans are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

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

Provisions 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

As part of the liquidation of Soderag, AFD, as liquidator, sold Soderag's loan portfolio to the three departmental credit companies of the Antilles-Guyane region of which it was the reference shareholder (Sodega in Guadeloupe, Sodema in Martinique and Sofideg in French Guiana). AFD granted cash lines to each of the three subsidiaries for the purchase of these portfolios and, at the same time, guaranteed its subsidiaries on the underlying loans, thereby sub-participating in risks and cash (protocols signed with each of the subsidiaries in October 1998).

The provisions relating to these transactions are provisions for liabilities insofar as they cover the risks related to the guarantees given.

Provision for employee benefits – Post-employment benefits

Defined benefit plans

- <u>Retirement and early retirement commitments</u>

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.

At 30 June 2023, the discount rate observed was 3.8%.

➢ <u>Retirement bonuses and the financing of the health insurance plan</u>

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

At 30 June 2023, the discount rate observed was 3.8% (compared to 3.9% in 2022), so it was not necessary to update the amount of employee benefit obligations compared to end-December 2022. Indeed, at the AFD Group level, the value of employee benefit obligations is updated in the event of a change in the discount rate (between 31/12/N and 30/06/N+1) greater than 0.50%.

In addition, following the promulgation of the law on the pension reform on 14 April 2023, the impact of this reform is recognised in the income statement from the half-year-end of 2023. At the AFD Group level, the impact on the financial statements is not considered material.

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 carrying amount of assets and liabilities and their tax base.

AFD Group recognises deferred tax 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 information

In application of IFRS 8 "Operating Segments", AFD has identified and reported on a single operating segment for its lending and grant activity, based on the information provided internally to the Chief Executive Officer (CEO), 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.

With regard to AFD Group's activity, which is mainly carried out outside mainland France, the NBI in France is not significant.

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 financial year to the next.

Agence Française de Développement'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 for the financial year restated for non-monetary items: provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets, net allocations to provisions and other items 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 on-demand deposits held at the Banque de France and with credit institutions.

3.3. Notes to the financial statements at 30 June 2023

3.3.1. Notes to the balance sheet

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

in thousands of euros	Notes	30/06/2023			31/12/2022		
		Assets	Liabilities	Notional/ Outstandings	Assets	Liabilities	Notional/ Outstandings
Interest rate derivatives		6 954	359	205 775	6 027	1 057	258 361
Foreign exchange derivatives		53 012	248 334	4 905 998	64 184	374 261	4 310 283
Hedging derivatives of non-SPPI loans/securities		69 365	44 994	1 192 415	62 601	64 150	972 821
Loans and securities that do not meet SPPI criteria	1.2	3 967 031		3 932 102	3 469 898	-	3 369 292
CVA/DVA/FVA		38	13 041	-	38	14 671	-
Total		**4 096 401**	**306 727**	**10 236 291**	**3 602 749**	**454 138**	**8 910 757**

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

in thousands of euros	Notes	30/06/2023	Notional/Outstandings	31/12/2022	Notional/Outstandings
Loans to credit institutions	1.2.1	521 892	491 665	408 157	445 257
Performing loans		521 876	469 064	407 914	421 913
Non-performing loans		16	22 601	242	23 344
Loans to customers	1.2.1	494 441	612 261	521 665	587 882
Performing loans		462 106	545 772	500 986	534 747
Non-performing loans		32 334	66 489	20 679	53 135
Title		2 950 698	2 828 177	2 540 076	2 336 153
Bonds and other fixed-income securities	1.2.2	23 194	9 844	26 965	32 339
UCITS		1 240 157	1 174 188	866 548	815 503
Equity investments and other long-term securities	1.2.3	1 687 348	1 644 145	1 646 563	1 488 311
of which equity investments held in investment funds		*1 520 609*	*1 485 576*	*1 421 267*	*1 340 606*
of which equity investments held directly with a put option		*166 738*	*158 570*	*225 295*	*147 705*
Total		**3 967 031**	**3 932 102**	**3 469 898**	**3 369 292**

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 compensation 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 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 other comprehensive income which may not be recycled has not been selected.
The Group has opted for a classification at fair value through other comprehensive income which may not be recycled for its portfolio of direct equity investments without put options, which make up the majority of the Group's equity instruments.

Note 2 – Financial hedging derivatives

Note 2.1 – Fair value hedging instruments

in thousands of euros	30/06/2023 Carrying amount			31/12/2022 Carrying amount		
	Assets	**Liabilities**	**Notional**	**Assets**	**Liabilities**	**Notional**
Fair value hedging						
Interest rate derivatives	2 830 837	4 941 756	61 801 377	3 044 770	5 099 614	59 226 931
Interest rate and foreign exchange derivatives (cross-currency swaps)	475 125	700 302	14 936 827	427 071	529 849	14 449 295
Total	**3 305 962**	**5 642 058**	**76 738 204**	**3 471 842**	**5 629 463**	**73 676 226**

Note 2.2 – Analysis by residual maturity (notional)

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

in thousands of euros	Less than three months	From three months to one year	From one to five years	Over five years	30/06/2023
Fair value hedging					
Interest rate derivatives	4 745 653	-	15 154 197	41 901 528	61 801 377
Interest rate and foreign exchange derivatives (cross-currency swaps)	1 061 419	-	9 137 580	4 737 828	14 936 827
Total	**5 807 072**	**-**	**24 291 777**	**46 639 356**	**76 738 204**

in thousands of euros	Less than three months	From three months to one year	From one to five years	Over five years	31/12/2022
Fair value hedging					
Interest rate derivatives	3 252 041	-	15 540 618	40 434 272	59 226 931
Interest rate and foreign exchange derivatives (cross-currency swaps)	2 008 843	-	7 458 728	4 981 724	14 449 295
Total	**5 260 884**	**-**	**22 999 347**	**45 415 995**	**73 676 226**

Note 2.3 – Hedged items

in thousands of euros	30/06/2023				
	Current hedges		Expired hedges		
	Carrying amount	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
Interest rate derivatives	**16 787 808**	**-2 481 054**		**-54 045**	**297 367**
Loans and receivables due from credit institutions at amortised	1 307 917	-142 743		-12	14 438
Loans and receivables due from customers at amortised cost	14 452 372	-2 268 027		-53 339	279 558
Financial assets at fair value through other comprehensive inco	1 027 519	-70 285		-693	3 370
Interest rate derivatives (currency swaps)	**5 255 380**	**-202 093**		**6 244**	**-107 963**
Loans and receivables due from credit institutions at amortised	793 382	-24 734		936	-16 772
Loans and receivables due from customers at amortised cost	4 461 998	-177 358		5 307	-91 191
Total fair value hedging of assets	**22 043 188**	**-2 683 147**	**-**	**-47 801**	**189 404**
Interest rate derivatives	**-35 205 908**	**4 250 770**	**31 619**	**-73 818**	**-420 479**
Debt securities in issue at amortised cost	-35 205 908	4 250 770	31 619	-73 818	-420 479
Interest rate derivatives (currency swaps)	**-8 956 493**	**348 200**	**-**	**9 775**	**171 192**
Debt securities in issue at amortised cost	-8 956 493	348 200	-	9 775	171 192
Total fair value hedging of liabilities	**-44 162 401**	**4 598 969**	**31 619**	**-64 043**	**-249 287**

in thousands of euros	31/12/2022				
	Current hedges		Expired hedges		
	Carrying amount	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
Interest rate derivatives	**17 193 277**	**-93 416**		**551**	**-3 196 211**
Loans and receivables due from credit institutions at amortised	1 393 774	-7 991		-271	-163 504
Loans and receivables due from customers at amortised cost	14 767 167	-85 425		-714	-2 976 626
Financial assets at fair value through other comprehensive inco	1 032 336	-		1 537	-56 081
Interest rate derivatives (currency swaps)	**5 087 778**	**-93 416**		**5 769**	**-418 362**
Loans and receivables due from credit institutions at amortised	825 493	-7 991		449	-24 899
Loans and receivables due from customers at amortised cost	4 262 285	-85 425		5 320	-393 463
Total fair value hedging of assets	**22 281 054**	**-186 832**	**-**	**6 320**	**-3 614 573**
Interest rate derivatives	**-31 139 773**	**4 623 476**	**70 376**	**-34 880**	**5 709 263**
Debt securities in issue at amortised cost	-31 139 773	4 623 476	70 376	-34 880	5 709 263
Interest rate derivatives (currency swaps)	**-8 518 042**	**178 904**	**-**	**-**	**263 053**
Debt securities in issue at amortised cost	-8 518 042	178 904	-	-	263 053
Total fair value hedging of liabilities	**-39 657 815**	**4 802 380**	**70 376**	**-34 880**	**5 972 316**

Note 2.4 – Income resulting from hedge accounting

in thousands of euros	30/06/2023 Net income (Income of hedge accounting)			31/12/2022 Net income (Income of 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	163 642	-123 112	40 530	-2 475 265	2 513 053	37 787
Interest rate and foreign exchange derivatives (cross-currency swaps)	-23 354	63 229	39 874	117 638	-155 309	-37 671
Total	**140 288**	**-59 883**	**80 405**	**-2 357 627**	**2 357 744**	**117**

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

in thousands of euros	30/06/2023		31/12/2022	
	Carrying amount	Change in fair value over the period	Carrying amount	Change in fair value over the period
Debt securities recognised at fair value through equity to be recycled in profit or loss	**864 188**	**1 653**	**882 169**	**1 506**
Government paper and equivalent	677 207	1 474	669 130	1 137
Bonds and other securities	186 981	179	213 039	369
Equity securities recorded at fair value through equity not to be recycled in profit or loss	**715 968**	**-8 699**	**702 164**	**31 950**
Unconsolidated equity investments	715 968	-8 699	702 164	31 950
Total	**1 580 156**	**-7 047**	**1 584 332**	**33 455**

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

in thousands of euros	30/06/2023 IFRS				31/12/2022 IFRS			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Equity instruments at fair value through profit and loss	-	-	1 687 348	**1 687 348**	-	-	1 646 563	**1 646 563**
Debt instruments that do not meet SPPI criteria	1 240 157	-	1 039 527	**2 279 684**	866 548	-	956 787	**1 823 335**
Financial assets recorded through equity	834 919	29 615	715 623	**1 580 156**	852 891	29 615	701 827	**1 584 332**
Hedging derivatives (Assets)	-	3 305 962	-	**3 305 962**	-	3 471 842	-	**3 471 842**
Financial liabilities at fair value through profit or loss	-	304 142	2 585	**306 727**	-	451 776	2 362	**454 138**
Hedging derivatives (Liabilities)	-	5 642 058	-	**5 642 058**	-	5 629 463	-	**5 629 463**
Derivatives	-	125 610	3 760	**129 370**	-	127 764	5 087	**132 851**

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

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

Valuations using market parameters are very limited within the Group. Sensitivity calculations are therefore not applicable without material sensitivity.

Note 5 – Financial assets measured at amortised cost

in thousands of euros	Notes	30/06/2023 On demand	30/06/2023 At maturity	31/12/2022 On demand	31/12/2022 At maturity
Debt securities	5.1		4 383 947	-	1 680 717
Loans and receivables due from credit institutions	5.2	882 992	10 066 323	1 429 551	10 061 488
Loans and receivables due from customers	5.2		35 906 830	-	35 537 860
Total		**882 992**	**50 357 101**	**1 429 551**	**47 280 064**

Note 5.1 – Debt securities at amortised cost

in thousands of euros	30/06/2023 On demand	30/06/2023 At maturity	31/12/2022 On demand	31/12/2022 At maturity
Government paper and equivalent	-	462 432	-	524 669
Bonds and other securities	-	3 938 468	-	1 165 999
Total	-	**4 400 900**	-	**1 690 668**
Impairment	-	-16 952	-	-9 951
Total	-	**4 383 947**	-	**1 680 717**

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

in thousands of euros	30/06/2023 On demand	30/06/2023 At maturity	31/12/2022 On demand	31/12/2022 At maturity
Loans to credit institutions at amortised cost		**8 941 046**		**9 118 921**
Performing loans		8 776 766		8 989 021
Non-performing loans		164 280		129 900
Impairment		**-158 455**		**-183 843**
Related loans receivable		***147 263***		***125 407***
Valuation adjustments of loans hedged by forward financial instruments		**-188 418**		**-205 577**
Subtotal		**8 741 437**		**8 854 909**
Loans to customers at amortised cost		**38 997 271**		**38 954 058**
Performing loans		36 211 573		35 856 896
Non-performing loans		2 785 698		3 097 163
Impairment		**-604 151**		**-623 494**
Related loans receivable		***132 426***		***76 839***
Valuation adjustments of loans hedged by forward financial instruments		**-2 618 715**		**-2 869 544**
Subtotal		**35 906 830**		**35 537 860**
Total loans	**-**	**44 648 267**	**-**	**44 392 769**
Other receivables				
Deposits (available cash) at credit institutions	882 992	1 316 334	1 429 551	1 203 600
Related loans receivable		8 552		2 979
Total other receivables	**882 992**	**1 324 886**	**1 429 551**	**1 206 579**
Total loans and other receivables	**882 992**	**45 973 153**	**1 429 551**	**45 599 347**

Note 6 – Asset impairment

Asset impairment	31/12/2022	Provisions	Reversals	Other items	30/06/2023
Credit institutions	*187 258*	24 370	49 406	-979	*161 243*
Credit to customers	*619 469*	64 322	79 392	-4 220	*600 178*
of which stage 1	*55 792*	*587*	-	-	*56 379*
of which stage 2	*322 299*	-	*59 669*	-	*262 630*
of which stage 3	*428 636*	*70 634*	*51 657*	-5 198	*442 414*
Bonds and other securities	9 951	7 624	623		*16 952*
of which stage 1	*4 577*	*1 431*	*623*		*5 386*
of which stage 2	-				-
of which stage 3	*5 374*	*6 193*			*11 567*
Other receivables	6 950	-	-	-	*6 950*
Total	**823 628**	**88 692**	**128 798**	**- 5 199**	**785 323**

Note 7 – Accruals and miscellaneous assets/liabilities

in thousands of euros	30/06/2023		31/12/2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Guarantees against collateral	3 287 500	118 852	3 147 988	146 474
Allocated public funds		72 587	-	73 898
Other assets and liabilities	1 497 156	1 929 287	1 652 793	2 005 738
Accounts payable, French State		311 245	-	200 090
Total accruals and other miscellaneous assets/liabilities	**4 784 656**	**2 431 972**	**4 800 781**	**2 426 201**

Note 8 – Property, plant and equipment and intangible assets

Note 8.1 – Change in fixed assets

in thousands of euros	Fixed assets				Total	Total
	Property, plant and equipment			Intangible assets		
	Land & development	Buildings & development	Other		30/06/2023	31/12/2022
Gross value						
At 01/01/2023	**89 731**	**547 243**	**77 060**	**199 400**	**913 434**	546 329
Purchases	-	32 543	2 381	23 791	58 715	376 959
Disposals/retirements	69	-	133	49	251	898
Other items	-1	81	-601	-5 794	-6 315	-8 956
At 30/06/2023	**89 660**	**579 868**	**78 707**	**217 348**	**965 583**	**913 434**
Depreciation/amortisation						
At 01/01/2023	3 823	164 226	59 501	105 993	333 545	302 174
Provisions	105	3 704	3 637	11 561	19 007	32 103
Reversals	-	-	137	3	139	733
Other items	-	-	-171	-1 125	-1 297	-
At 30/06/2023	**3 928**	**167 931**	**62 830**	**116 426**	**351 116**	**333 545**
Net value	**85 731**	**411 936**	**15 876**	**100 922**	**614 465**	**579 888**

Note 8.2 – Right of use

in thousands of euros	Registered office	Offices	30/06/2023
Net value			
At 01/01/2023	102 930	12 735	115 665
New contract	-	40	40
Modification of contract	-	-	-
Other items	-	-	-
At 30/06/2023	**102 930**	**12 775**	**115 705**
Depreciation/amortisatio	59 559	7 256	66 815
Net value	**43 371**	**5 520**	**48 890**

Note 9 – Financial liabilities measured at amortised cost

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

in thousands of euros	30/06/2023	31/12/2022
Debts to credit institutions at amortised cost		
On-demand debts	4 236	12 626
Debts at maturity	698	1 898
Total debts to credit institutions	**4 934**	**14 524**
Debts to customers at amortised cost	2 296	2 755
Total debts to customers	**2 296**	**2 755**
Debt securities in issue at amortised cost		
Interbank market securities	2 266 917	1 988 682
Bond	49 856 471	47 264 424
Related debts	304 570	380 365
Valuation adjustments of debt securities in issue hedged by derivatives	-4 793 843	-5 212 958
Total debts securities in issue	**47 634 115**	**44 420 512**

Maturity of debt securities in issue at amortised cost

in thousands of euros	Less than three months	From three months to one year	From one to five years	More than five years	30/06/2023
Maturity of debt securities in issue					
Bond	-	3 692 570	22 754 528	18 920 100	45 367 198
Interbank market securities	456 017	1 810 900	-	-	2 266 917
Total	**456 017**	**5 503 470**	**22 754 528**	**18 920 100**	**47 634 115**

in thousands of euros	Less than three months	From three months to one year	From one to five years	More than five years	31/12/2022
Maturity of debt securities in issue					
Bond	50 006	4 098 777	21 044 463	17 238 584	42 431 831
Interbank market securities	207 688	1 780 993	-	-	1 988 682
Total	**257 695**	**5 879 771**	**21 044 463**	**17 238 584**	**44 420 512**

Debt securities in issue by currency

in thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	CNH	DOP	TRY	30/06/2023
Debt securities in issue by currency										
Bond	35 301 914	8 001 660	1 214 642	92 187	308 408	207 361	191 051	4 892	45 083	45 367 198
Interbank market securities	2 266 917	-	-	-	-	-	-	-	-	2 266 917
Total	**37 568 831**	**8 001 660**	**1 214 642**	**92 187**	**308 408**	**207 361**	**191 051**	**4 892**	**45 083**	**47 634 115**

in thousands of euros	EUR	USD	GBP	JPY	CHF	AUD	CNH	DOP	TRY	31/12/2022
Debt securities in issue by currency										
Bond	32 750 428	8 383 573	611 803	103 496	306 764	215 433	55 347	4 985	-	42 431 831
Interbank market securities	1 988 682	-	-	-	-	-	-	-	-	1 988 682
Total	**34 739 110**	**8 383 573**	**611 803**	**103 496**	**306 764**	**215 433**	**55 347**	**4 985**	**-**	**44 420 512**

Note 10 – Provisions

in thousands of euros

Provisions	31/12/2022	Provisions	Reversals	Other items	30/06/2023
Included in the cost of risk					
French Overseas Department subsidiary risk	26 045	51	154	-	25 942
Other provisions for risk	186 226	13 582	51 309	-	148 499
of which stage 1	*26 272*		*7 898*		18 374
of which stage 2	*118 475*	*16*	*26 667*		91 824
of which stage 3	*41 479*	*13 565*	*16 744*		38 301
Excluded from the cost of risk	-				
Provision for expenses – Sovereign loans	1 105 475	52 407	24 576	1 031	1 134 336
Salary and employee benefit expenses	102 973	-	1 102	-	101 872
Provision for risks and expenses	*20 233*	*2 301*	-		22 534
Total	**1 440 951**	**68 341**	**77 141**	**1 031**	**1 433 181**

Note 11 – Subordinated debt

in thousands of euros	30/06/2023	31/12/2022
Fixed-term subordinated debt	151 158	-
Open-ended subordinated debt	840 006	840 006
Other	-	616
Total	**991 164**	**840 622**

3.3.2. Notes to the income statement

Note 12 – Income and expenses by accounting category

in thousands of euros	30/06/2023	30/06/2022
From financial assets measured at amortised cost	**752 400**	**390 100**
Cash and demand accounts with central banks	30 356	1 583
Loans and receivables	718 206	382 312
Transactions with credit institutions	179 860	54 812
Transactions with customers	538 346	327 500
Debt securities	3 839	6 205
From financial assets at fair value through equity	**56 618**	**8 644**
Debt securities	56 618	8 644
From financial assets at fair value through profit or loss	**29 386**	**58 580**
Loans and receivables	29 386	58 580
Transactions with credit institutions	15 766	21 538
Transactions with customers	13 620	37 042
Interest accrued and due on hedging instruments	**949 592**	**308 899**
of which transactions with credit institutions	*538 580*	*99 791*
of which other interest and related income	*411 012*	*209 109*
Total interest income	**1 787 996**	**766 222**
From financial liabilities measured at amortised cost	**396 215**	**221 687**
Financial liabilities measured at amortised cost	396 215	221 687
Interest accrued and due on hedging instruments	**1 174 660**	**305 321**
Other interest and similar expenses	**148**	**101**
Total interest expenses	**1 571 022**	**527 110**

Note 13 – Net commissions

in thousands of euros	30/06/2023			30/06/2022		
	Income	Expenses	Net	Income	Expenses	Net
Monitoring and investment commissions	5 533	1 026	4 507	4 125	1 085	3 040
Analysis commissions	10 087	-	10 087	16 885	-	16 885
Commissions on grants and subsidies	51 875	-	51 875	52 714	-	52 714
Miscellaneous commissions	4 449	1 163	3 286	1 132	2 011	-878
Total	**71 944**	**2 189**	**69 755**	**74 857**	**3 095**	**71 762**

Note 14 – Gains or losses on financial instruments at fair value through profit or loss

in thousands of euros	30/06/2023		30/06/2022	
	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
Financial assets and liabilities at fair value through profit or loss	**- 29 921**	**1 828**	**104 391**	**5 196**
Income from financial instruments at fair value through profit and loss	38 382	-	9 887	-
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	- 77 060		96 263	-
Hedging of loans at fair value through profit or loss	8 757	1 828	- 1 760	5 196
Income resulting from hedge accounting	**80 405**	**2 943**	**- 55 037**	**- 8 456**
Change in fair value of hedging derivatives	*140 020*	*- 2 979*	*- 1 552 588*	*8 353*
Change in fair value of the hedged item	*- 59 615*	*36*	*1 497 551*	*104*
Natural hedging/Trading	**- 45 410**	**- 112 188**	**1 242**	**236 849**
CVA/DVA	**1 630**	**-**	**- 8 233**	**-**
Total	**6 703**	**- 107 418**	**42 363**	**233 588**

Note 15 – Net gains or losses on financial assets recognised at fair value through other comprehensive income

in thousands of euros	30/06/2023	30/06/2022
Dividends received on equity instruments recognised at fair value through equity not to be recycled in profit or loss non-recyclable shareholders' equity	3 162	10 579
Gains or losses on equity instruments recognised at fair value through equity not to be recycled in profit or loss non-recyclable shareholders' equity	-	-
Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss	5 935	-102
Net gains or losses on financial assets recognised in other comprehensive income	**9 096**	**10 478**

Note 16 – Income and expenses from other activities

in thousands of euros	30/06/2023	30/06/2022
Subsidies	140 627	130 328
Other income	172 881	151 113
Total other income from other activities	**313 509**	**281 441**
Other expenses	163 410	114 864
Total other expenses from other activities	**163 410**	**114 864**

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

Note 17 – Overheads

Salary and employee benefit expenses

in thousands of euros	30/06/2023	30/06/2022
Salary and employee benefit expenses		
Wages and bonuses	129 445	119 218
Social security expenses	52 814	47 620
Profit sharing	6 801	9 785
Taxes and similar payments on compensation	17 896	15 427
Provisions/reversal of provisions	-1 788	-1 097
Rebilling banks' staff	-102	-849
Total	**205 065**	**190 105**

Other administrative expenses

in thousands of euros	30/06/2023	30/06/2022
Other administrative expenses		
Taxes	9 541	9 741
of which application of IFRIC 21	3 933	3 980
Outside services	68 588	64 109
Rebilled expenses	148	-1 088
Total	**78 277**	**72 761**

Note 18 – Cost of credit risk

in thousands of euros	30/06/2023	30/06/2022
Impairments on performing (Stage 1) or deteriorated (Stage 2) assets	**92 824**	**3 893**
Stage 1: losses assessed at the amount of expected credit losses for the coming 12 months	**6 503**	**-8 801**
Debt securities recorded at amortised cost	-1 395	-8 768
Signature commitments	7 898	-34
Stage 2: losses assessed at the amount of expected credit losses for the lifetime	**86 320**	**12 695**
Debt securities recorded at amortised cost	59 669	21 422
Signature commitments	26 651	-8 727
Impairments of impaired assets (stage 3)	**-9 020**	**44 208**
Stage 3: impaired assets	**-9 243**	**44 281**
Debt securities recorded at amortised cost	-15 213	54 723
Signature commitments	5 970	-10 442
Other provisions for risk	**224**	**-73**
Net reversals of impairments and provisions	**83 804**	**48 101**
Losses on loans and bad loans	-415	-23 690
Recovery of loans and receivables	145	-105
Cost of risk	**83 535**	**24 306**

Note 19 – Equity-accounted investments

in thousands of euros	30/06/2023		31/12/2022		30/06/2022	
Impact	*Balance sheet*	*Income*	*Balance sheet*	*Income*	*Balance sheet*	*Income*
SIC	43 758	-297	44 329	10 989	36 827	3 488
Socredo	119 104	2 244	117 740	4 420	115 299	1 979
Total	**162 862**	**1 946**	**162 069**	**15 409**	**152 126**	**5 467**

Note 20 – Corporate income tax

in thousands of euros	30/06/2023	30/06/2022
Corporate income tax	**-20 575**	**-1 349**
Taxes due	-12 554	-1 602
Deferred taxes	-8 021	254

Underlying tax position

in thousands of euros	30/06/2023	30/06/2022
Net income	**209 123**	**274 787**
Corporate income tax	-20 575	-1 349
Pre-tax income	**229 698**	**276 136**
Total theoretical income tax expense (A)	**-41 166**	**-75 577**
Total matching items (B)	**20 591**	**74 228**
Net recorded tax expense (A) + (B)	**-20 575**	**-1 349**

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

- Deferred taxes based on Impairments have been estimated on the basis of the rate of 25.83%;
- Deferred taxes based on the unrealised gains or losses on loans and convertible bonds were estimated on the basis of the rate of 25.83%. The same rate is used over costs and expenses on the unrealised gains and losses of the equity investments.

Note 21 – Financing and guarantee commitments

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

in thousands of euros	**30/06/2023**	**31/12/2022**
Commitments received		
Guarantee commitments received from the French State on loans	5 018 688	5 156 320
Guarantee commitments received from credit institutions	375 357	382 264
as part of the Group's credit activity	*375 357*	*382 264*
Commitments given		
Financing commitments made to credit institutions	1 847 994	1 980 686
Financing commitments made to customers	17 125 123	16 569 556
Guarantee commitments made to credit institutions	272 284	242 631
Guarantee commitments made to customers	820 163	728 037

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions. The commitment amount is lower than the figure stated in AFD’s parent company financial statements because the transactions on behalf of third parties (IMF, on behalf of the French government) are not included in the Group’s consolidated financial statements.

3.4. Risk information

✓ Concentration of credit risk

Financial loans at amortised cost

Non-sovereign

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
Rating	Stage 1	Stage 2			Stage 1	Stage 2	Stage 3	
from AAA to BBB- (Investment)	7 740 485	549 350	-	**8 289 835**	7 646 638	471 565	-	**8 118 202**
from BB+ to CCC (Speculative)	6 160 698	4 431 041	-	**10 591 740**	5 802 717	5 052 949	-	**10 855 666**
Unused*	581 179	-	-	**581 179**	588 374	-	-	**588 374**
Doubtful	-	-	1 095 070	**1 095 070**	-	-	1 098 183	**1 098 183**
Total	**14 482 363**	**4 980 391**	**1 095 070**	**20 557 824**	**14 037 728**	**5 524 513**	**1 098 183**	**20 660 425**

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

Sovereign

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
Rating	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
from AAA to BBB- (RC1 to RC2)	8 775 170	-	-	**8 775 170**	8 765 597	-	-	**8 765 597**
from BB+ to CCC (RC3, RC4, RC5)	13 534 674	3 432 088	595 304	**17 562 066**	13 640 389	3 107 584	623 205	**17 371 178**
Unused*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	-	1 136 768	**1 136 768**	-	-	1 388 572	**1 388 572**
Total	**22 309 844**	**3 432 088**	**1 732 072**	**27 474 004**	**22 405 985**	**3 107 584**	**2 011 777**	**27 525 347**

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

Securities at fair value through other comprehensive income that may be recycled or at amortised cost

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
Rating	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
from AAA to BBB- (Investment)	2 215 016	-	-	**2 215 016**	2 215 977	-	-	**2 215 977**
from BB+ to CCC (Speculative)	436 162	-	-	**436 162**	457 300	-	-	**457 300**
Unused*	-	-	-	**-**	-	-	-	**-**
Doubtful	-	-	-	**-**	-	-	-	**-**
Total	**2 651 177**	**-**	**-**	**2 651 177**	**2 673 276**	**-**	**-**	**2 673 276**

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

Financing commitments

Non-sovereign

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	rforming assets		Doubtful assets	Total
Rating	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
from AAA to BBB- (Investment)	1 120 856		-	**1 150 994**	1 087 646	98 214	-	**1 185 860**
from BB+ to CCC (Speculative)	2 252 282	370 486	-	**2 622 768**	2 243 904	449 719	-	**2 693 622**
Unused*	155 833	-	-	**155 833**	169 186	-	-	**169 186**
Doubtful	-	-	41 143	**41 143**	-	-	38 341	**38 341**
Total	**3 528 970**	**400 624**	**41 143**	**3 970 737**	**3 500 735**	**547 933**	**38 341**	**4 087 009**

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

Sovereign

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
Rating	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
from AAA to BBB- (RC1, RC2)	2 652 840	-	-	**2 652 840**	2 521 464	-	-	**2 521 464**
from BB+ to CCC (RC3, RC4, RC5)	9 315 106	2 339 006	116 000	**11 770 113**	8 872 164	1 985 535	116 000	**10 973 699**
Unused*	-	-	-	**-**	-	-	-	**-**
Doubtful (RC6)	-	-	597 969	**597 969**	-	-	923 942	**923 942**
Total	**11 967 946**	**2 339 006**	**713 969**	**15 020 922**	**11 393 628**	**1 985 535**	**1 039 942**	**14 419 105**

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

Guarantee commitments

in thousands of euros	At 30/06/2023				At 31/12/2022			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
Rating	**Stage 1**	**Stage 2**	**Stage 3**		**Stage 1**	**Stage 2**	**Stage 3**	
from AAA to BBB- (Investment)	15 607	336	-	**15 944**	17 217	336	-	**17 554**
from BB+ to CCC (Speculative)	543 798	522 146	-	**1 065 945**	336 096	605 161	-	**941 257**
Not applicable	-	-	-	**-**	-	-	-	**-**
Doubtful	-	-	59 110	**59 110**	-	-	61 441	**61 441**
Total	**559 406**	**522 483**	**59 110**	**1 140 999**	**353 313**	**605 497**	**61 441**	**1 020 251**

✓ Exposure to credit risk: change in the carrying amounts 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
Provisions at 31/12/2022	**86 641**	**440 774**	**428 635**	**956 051**
New signatures	12 541	2 506	-	15 048
Extinct exposures	-308	-5 824	-1 270	-7 403
Change in exposure or rating	-4 437	-32 077	1 037	-35 477
Stage change	-10 199	9 030	19 867	18 698
Other (including IFRS restatements, Sogefom)	-34	16	-6 722	-6 741
Total change in operating provisions	-2 438	-26 350	12 913	-15 875
Total change in IFRS 9 parameter updates	**-15 913**	**-36 170**	**-**	**-52 083**
Total change in exceptional provisions (FWL, Ariz)	**11 848**	**-23 801**	**-**	**-11 953**
Provisions at 30/06/2023 Activity + Parameters + Exceptional pro	**80 138**	**354 454**	**441 548**	**876 140**

3.5. Additional information

3.5.1. IMF balance sheet

in thousands of euros	30/06/2023	31/12/2022
Assets		
Loans and receivables due from credit institutions	137 382	389 102
On demand	*130 615*	*363 826*
At maturity	*6 767*	*25 276*
Accruals	18 570	26 844
Total assets	**155 953**	**415 946**
Liabilities		
Debt securities in issue	152 286	412 676
Bond	*150 000*	*400 000*
Of which accrued interest	*2 286*	*12 676*
Accruals and other miscellaneous liabilities	3 667	3 269
Total liabilities	**155 953**	**415 946**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonds 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 €5K, 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 since 30 June 2023

Suspension of financing for Niger

The Ministry for Europe and Foreign Affairs announced that it was suspending all its development aid and budget support actions in Niger after the military coup of 26 July 2023.

At 30 June 2023, AFD Group had a balance sheet exposure to Niger of €203M (including €10M at Proparco). In addition, AFD Group's off-balance sheet exposure to Niger is €223M.

D. Statutory Auditors' review report on the 2023 half-year financial information

AGENCE FRANÇAISE DE DÉVELOPPEMENT

For the six-month period ended 30 June 2023

Statutory Auditors' review report on the 2023 half-year financial information

This is a free translation into English of the statutory auditors' review report on the 2023 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, 2023;
- the verification of the information presented in the interim management report.

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 21, 2023

The statutory auditors
French original signed by

KPMG S.A.	**BDO Paris**
Valéry Foussé	Benjamin Izarié

E. Person responsible for the half-year financial report

Name and position

Mr Bertrand Walckenaer: Chief Operating 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 income 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 2023

Chief Operating Officer (COO)

Bertrand Walckenaer