AFD at a glance
AFD: the French Development Agency

AFD finances, monitors and supports more than 4,000 development projects

is committed to improving day to day lives of the local population by financing projects which:

- Promote sustainable economic growth
- Reduce poverty and inequalities
- Promote biodiversity, social and environmental responsibility
- Reduce negative impacts of climate change

AFD at a glance

Established in 1941
- 100% owned by the French State
- EPIC subject to banking regulation
- AA rated by Fitch and S&P
- Qualified as "Advanced" by Vigeo
- Rated Prime Status by Oekom

October 2020
AFD operates in most of the developing and emerging markets

2019 commitments

AFD also operates in French overseas territories
Representing around 14% of the commitments of the AFD group

AFD at a glance

- 85 Agencies
- 115 Countries of operations
- 3,000 Employees on
- 5 Continents

October 2020
A fresh impetus to French development policy

AFD at a glance

AFD provides a large part of France’s commitments to reduce greenhouse gases in the coming years. The French State has strengthened AFD’s capital: €2.4Bn subordinated loans (Tier2) turned into Core Tier One capital. French public aid objective to reach 0.55% of GNI by 2022 set by President Macron.

Total of AFD group balance sheet:
€47.56Bn as of 31 Dec. 2019

An increase in commitments

- Total commitments in € Bn
- Commitments regarding climate change projects

<table>
<thead>
<tr>
<th>Year</th>
<th>Total commitments</th>
<th>Climate change commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>8.3</td>
<td>3</td>
</tr>
<tr>
<td>2016</td>
<td>9.4</td>
<td>3.58</td>
</tr>
<tr>
<td>2017</td>
<td>10.3</td>
<td>4</td>
</tr>
<tr>
<td>2018</td>
<td>11.4</td>
<td>4.8</td>
</tr>
<tr>
<td>2019</td>
<td>14.1</td>
<td>6.1</td>
</tr>
<tr>
<td>2020</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>14.7</td>
<td></td>
</tr>
</tbody>
</table>

Forecast
AFD at a glance

Appropriate financial tools 2019 commitments

- **€5.3Bn**: Loans to States (38%)
- **€5.1Bn**: Loans to companies and local authorities (36%)
- **€2.5Bn**: Grants (18%) (projects grants to NGOs, C2D, delegation of funds from other donors)
- **€1.1Bn**: Guarantees and equity investments (8%)

Guarantees: €0.2Bn
Equity Investment: €0.4Bn

October 2020
AFD and its foreign partners

Partnerships with IBRD, EIB, KFW, ADB, ...
AFD is a recognized institution amongst Development Banks

Since October 2017, our CEO Remy Rioux has had the honour of leading the IDFC* which brings together 24 development banks.

With $850Bn of commitments per year, they are trying to reach ambitious goals in terms of sustainable development.

It makes this worldwide organization the main provider of public finance for development.

* International Development Finance Club
Status & Credit Profile
AFD: A Financial Institution of Strategic Importance for the French State

A central role in the French government’s cooperation and aid policy

- Plays a major role in the government’s Official Development Assistance policy
- Funds part of the French State’s contribution to the IMF and World Bank

<table>
<thead>
<tr>
<th>A dual status</th>
<th>EPIC: Etablissement Public Industriel et Commercial, immune to private-sector bankruptcy laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>A banking institution as a financing company (Société de Financement)</td>
<td>By law, the French State has ultimate responsibility for AFD’s solvency (Law 80-539)</td>
</tr>
<tr>
<td>Regulated by the national banking authority (ACPR), subject to CRR/CRD IV</td>
<td>AFD is under domestic supervision of ACPR and Court of Auditors</td>
</tr>
<tr>
<td>Risk weighting 20%</td>
<td></td>
</tr>
</tbody>
</table>

Fully publicly owned

French State 100%

Proparco (ownership 75%)

Other subsidiaries (Expertise France, Socredo, Sogefom...)

October 2020
# AFD benefits from High Quality Ratings

<table>
<thead>
<tr>
<th>AA/AA rating linked to dual-entity status and public nature of AFD’s mission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fitch Ratings</strong></td>
</tr>
<tr>
<td>AA/Outlook negative</td>
</tr>
<tr>
<td>Short-Term F1+</td>
</tr>
<tr>
<td>Since May 2020</td>
</tr>
<tr>
<td><strong>12/10/2020</strong></td>
</tr>
</tbody>
</table>

“Fitch classifies AFD as a **government-related entity (GRE) of the French state (AA/negative)** under its GRE criteria and equalizes its ratings with those of the sovereign. The ratings reflect our view that the French state would provide AFD with timely extraordinary support in case of need.

“AFD is fully owned by the French state and has the special legal status of etablissement public industriel et commercial (EPIC) under the French law. This implies that it cannot be liquidated or go bankrupt. AFD can only be dissolved by law, which would entail an automatic transfer of all its assets and liabilities to the state or to another public entity designated by the state.”


We believe that AFD will retain its critical role and integral link with the country. **We regard AFD as a government-related entity that would benefit under stress from an almost certain likelihood of extraordinary support from France.**”
AFD: a recognized Corporate Responsibility

AFD is rated by two of the world’s leading rating agencies in the segment of sustainable investments.

First Decile within Financials/Development Banks
Last update August 2019

Ranked #2 out of 4,904 in Overall Universe - September 2019

Financial Performance & Risk Management
Key figures

IFRS GAAP

Net Banking Income in €Mn

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBI excluding Fair Value volatility on Financial Instruments</td>
<td>755</td>
<td>673</td>
<td>683</td>
</tr>
<tr>
<td>Net Banking Income</td>
<td>673</td>
<td>646</td>
<td>784</td>
</tr>
</tbody>
</table>

Net Income in €Mn

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net economic income (without IFRS volatility)</td>
<td>313</td>
<td>184</td>
<td>172</td>
</tr>
<tr>
<td>Net income</td>
<td>184</td>
<td>152</td>
<td>180</td>
</tr>
</tbody>
</table>

Loans Outstanding in €Bn

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,16</td>
<td>32,75</td>
<td>34,99</td>
<td></td>
</tr>
</tbody>
</table>

Consolidated Capital in €Bn

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,34</td>
<td>7,18</td>
<td>7,47</td>
<td></td>
</tr>
</tbody>
</table>

The 2018 net income drop is a result of financial instruments volatility and is due to a change of the accounting standards (IFRS9).

Net economic income (without IFRS volatility)
The drop of IFRS Net banking Income and Net Income is the consequence of the result on financial instruments (EUR -122M, which represents EUR -149M versus H1 2019) with in H1 2020:

- EUR 20M loss on derivatives mark-to-market despite FVH accounting
- EUR 102M loss on fair value assets
  - Included EUR 75M on equity valuations
  - Included EUR 20M on non SPPI loans
AFD Strong Capitalization

CET1 Ratio

Capital adequacy ratio

T1 Ratio

Without Countercyclical Capital Buffer

Minimum regulatory levels

October 2020
Solid Asset Quality

Total outstanding as of 30 June 2020 €36.85Bn
Non-performing loans : 3.94%

vs 31 Dec. 2019 €34.99Bn
Non-performing loans : 3.47%

A very conservative provisioning policy

French Overseas 16%
Of which:
6% non-performing
24% provision on n-p loans
In 2019:
5.4% n-p loans
27% provisions

Non Sovereign 34%
Of which:
7.7% non-performing
43% provision on n-p loans
In 2019:
6.7% n-p loans
48% provisions

Sovereign 50%
Of which:
0.6% non-performing
100% provision on n-p loans
Unchanged vs 2019

A low risk portfolio

Country lending limit at 25% of capital

Reserved account which works as an implicit guarantee from the French State

October 2020

Financial Perf. and Risk Manag.

Concentration Risk
# Conservative Market Risk Policy

## Exchange / Interest Rate Risk
- **Minimized by internal policy and hedging**
  - All issues and loans swapped into Euros floating rate
- **Internal policy:**
  - Single currency exposure < 1% of Consolidated Capital
  - Global forex position < 2% of Consolidated Capital
  - No speculative trading

## Counterparty Risk
- **Ratings monitoring and collateral contracts**
  - Clearing IRS Two-ways CSAs with daily collateral for bilateral derivatives
  - SSA euro zone for the investment portfolio

## Liquidity Risk
- **Very limited exposure**
  - Treasury ≥ 6 months of cash outflows
  - Investment & LCR portfolio of € 1,801 Bn eligible to repo as of September 30, 2020

---

**Investment & LCR portfolio of € 1,801 Bn eligible to repo as of September 30, 2020**

- EUR Zone Agencies: 20%
- OAT: 22%
- Covered Bonds: 11%
- Autres: 7%
- EUR Zone Sovereigns: 8%
- French agencies and municipalities: 32%
An increasing trend towards funding:

- An increase in the commitments of €1Bn per year until 2020 will impact disbursements
- Upward trend to support disbursements growth
- Amortization of older loans will partly finance this growth
AFD & Peers Expected Funding Program in 2020
In Bn € – September 2020 Figures

AFD in the French Agencies universe

AFD in the Development Banks universe
AFD’s Funding Strategy

Capital Markets

Debt Program
- €50Bn EMTN program

Public Markets
- Public benchmarks on main debt markets to build a solid curve:
  - EUR: across the curve potentially up to 20 years
  - USD: focus on short and medium term tenors
  - SDG bonds

Private Placements
- Proactive and flexible in currency

Medium term funding
- Neu MTN €2Bn

Short term funding
- Neu CP €4Bn

Upon request

For any adjustments

October 2020
AFD’s Funding Strategy

3 main priorities will feed into the development of volumes

Explore less used segments of the curve
- Short end (1 to 3 years)
- Long end (>12 years)

More active approach to the private placements market
- Weekly prices on PPs
- Non-vanilla coupon structures

Climate bond
- New framework has been designed since 2017
- Issuances every 12 to 18 months

And now SDG bonds
2020 Funding Program €10Bn

- 70% public issues
- 30% private placements
- Bloomberg Ticker AGFRNC
- 1y → 20y EUR
- 2y → 5y USD

TAPs and private placements

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[0.5y]</td>
<td>44%</td>
<td>57%</td>
<td>-</td>
<td>40%</td>
<td>42%</td>
</tr>
<tr>
<td>[5y;10y]</td>
<td>15%</td>
<td>21%</td>
<td>20%</td>
<td>47%</td>
<td>25%</td>
</tr>
<tr>
<td>[10y;15y]</td>
<td>31%</td>
<td>7%</td>
<td>29%</td>
<td>-</td>
<td>15%</td>
</tr>
<tr>
<td>[15y;20y]</td>
<td>11%</td>
<td>2%</td>
<td>17%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>[20y;30y]</td>
<td>-</td>
<td>9%</td>
<td>16%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>[30y+]</td>
<td>-</td>
<td>4%</td>
<td>18%</td>
<td>-</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>1.94Bn €</td>
<td>2.35Bn €</td>
<td>754Mn €</td>
<td>1.43Bn €</td>
<td>6.48Bn €</td>
</tr>
<tr>
<td>TAP</td>
<td>918 183 943</td>
<td>876 992 482</td>
<td>400 000 000</td>
<td>986 524 741</td>
<td>3 181 701 167</td>
</tr>
<tr>
<td>In %</td>
<td>47%</td>
<td>37%</td>
<td>53%</td>
<td>69%</td>
<td>49%</td>
</tr>
<tr>
<td>PP</td>
<td>1 022 729 962</td>
<td>1 475 681 322</td>
<td>1 353 851 540</td>
<td>442 085 296</td>
<td>3 294 348 119</td>
</tr>
<tr>
<td>In %</td>
<td>53%</td>
<td>63%</td>
<td>47%</td>
<td>31%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Public deals

<table>
<thead>
<tr>
<th>Current amount</th>
<th>Initial amount</th>
<th>Ccy</th>
<th>Coupon</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Type</th>
<th>vs. OAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>1000</td>
<td>EUR</td>
<td>0.50%</td>
<td>1.5Y</td>
<td>déc-21</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>1750</td>
<td>1000</td>
<td>EUR</td>
<td>0.75%</td>
<td>3Y</td>
<td>avr-23</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1000</td>
<td>EUR</td>
<td>0.25%</td>
<td>10Y</td>
<td>mai-30</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td>1000</td>
<td>EUR</td>
<td>0.00%</td>
<td>4.5Y</td>
<td>mars-21</td>
<td>Climate</td>
<td></td>
</tr>
</tbody>
</table>

Total 2020 7.620 Bn € Eq.

<table>
<thead>
<tr>
<th>Current amount</th>
<th>Initial amount</th>
<th>Ccy</th>
<th>Coupon</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>750</td>
<td>750</td>
<td>EUR</td>
<td>0.50%</td>
<td>1.5Y</td>
<td>mai-35</td>
<td>Public</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
<td>EUR</td>
<td>0.25%</td>
<td>10Y</td>
<td>juin-29</td>
<td>Public</td>
</tr>
<tr>
<td>650</td>
<td>650</td>
<td>USD</td>
<td>FRN</td>
<td>2Y</td>
<td>juin-21</td>
<td>Public</td>
</tr>
<tr>
<td>2000</td>
<td>700</td>
<td>EUR</td>
<td>0.38%</td>
<td>5Y</td>
<td>avr-24</td>
<td>P.Tap</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
<td>USD</td>
<td>2.75%</td>
<td>3Y</td>
<td>janv-22</td>
<td>Public</td>
</tr>
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</table>

Total 2019 6.439 Bn € Eq.

<table>
<thead>
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<th>Current amount</th>
<th>Initial amount</th>
<th>Ccy</th>
<th>Coupon</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1050</td>
<td>1000</td>
<td>EUR</td>
<td>1.50%</td>
<td>1.5Y</td>
<td>oct-34</td>
<td>Public</td>
</tr>
<tr>
<td>500</td>
<td>500</td>
<td>EUR</td>
<td>0.50%</td>
<td>7.1Y</td>
<td>oct-25</td>
<td>Climate</td>
</tr>
<tr>
<td>1 500</td>
<td>1 500</td>
<td>USD</td>
<td>2.75%</td>
<td>3Y</td>
<td>mars-21</td>
<td>Public</td>
</tr>
<tr>
<td>1 750</td>
<td>1 400</td>
<td>EUR</td>
<td>1.00%</td>
<td>5Y</td>
<td>janv-28</td>
<td>Public</td>
</tr>
</tbody>
</table>

Total 2018 6.463 Bn € Eq.

<table>
<thead>
<tr>
<th>Current amount</th>
<th>Initial amount</th>
<th>Ccy</th>
<th>Coupon</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Type</th>
<th>vs. OAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>750</td>
<td>750</td>
<td>EUR</td>
<td>0.13%</td>
<td>6Y</td>
<td>nov-23</td>
<td>Climate</td>
<td></td>
</tr>
<tr>
<td>1 250</td>
<td>1 250</td>
<td>USD</td>
<td>1.88%</td>
<td>3Y</td>
<td>sept-20</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>1 700</td>
<td>1 000</td>
<td>EUR</td>
<td>1.38%</td>
<td>1.5Y</td>
<td>juil-32</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>1 600</td>
<td>1 500</td>
<td>EUR</td>
<td>0.13%</td>
<td>5Y</td>
<td>avr-22</td>
<td>Public</td>
<td></td>
</tr>
</tbody>
</table>

Total 2017 6.233 Bn € Eq.

<table>
<thead>
<tr>
<th>Current amount</th>
<th>Initial amount</th>
<th>Ccy</th>
<th>Coupon</th>
<th>Tenor</th>
<th>Maturity</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 000</td>
<td>1 000</td>
<td>EUR</td>
<td>0.13%</td>
<td>5Y</td>
<td>mars-21</td>
<td>Public</td>
</tr>
<tr>
<td>1 600</td>
<td>1 500</td>
<td>EUR</td>
<td>0.25%</td>
<td>10Y</td>
<td>juil-26</td>
<td>Public</td>
</tr>
<tr>
<td>2000</td>
<td>850</td>
<td>EUR</td>
<td>0.38%</td>
<td>7Y</td>
<td>avr-24</td>
<td>Public</td>
</tr>
</tbody>
</table>

Total 2016 4.892 Bn € Eq.
Redemption Profile

Market debt outstanding under EMTN program as of September 30, 2020: €38.15Bn

Breakdown by Geographic Region

Breakdown by Investor Type

October 2020
Sustainable Development Goals
Bond Issuance Program
The unique role of the AFD Group to achieve the 2030 Agenda

A TOWFOLD CONTRIBUTION TO ACHIEVE THE SDGs: NATIONAL AND INTERNATIONAL CONTRIBUTION

• Contributing to the implementation of the French State’s development aid policy abroad
• Contributing to the achievement of the SDGs in French overseas departments and territories

THE AFD GROUP’S CONTRIBUTION TO FRANCE’S ROADMAP FOR THE 2030 AGENDA

• AFD Group’s specific contribution to challenge number 6 of the Roadmap

“Working at European and international levels towards sustainable transformation of societies, peace and solidarity”

• Integration of the Agenda 2030 targets into the AFD Group strategy with a clear target: 0.55% of gross national income (GNI) allocated to Official Development Assistance (ODA) in 2022, a first step towards the UN objective of 0.7% of GNI

October 2020
Development Bank & SDGs
Challenges and responses specific to the AFD Group

**ENSURING THE INTERLINKAGES BETWEEN THE SDGs**

- General and sectoral exclusion policies of the AFD Group
- “Zero compensation” (only loans with neutral or positive rating in the SDAO mechanism to be eligible)*
- Minimum contribution required to minimum 3 SDGs*

**INITIATING TRANSFORMATION DYNAMICS**

Our partners’ transformations
- Partnership logic and technical assistance
- Transformation matrices integrated into lending instruments*

AFD internal transformation
- Appropriation by project officers to use the SDAO mechanism and ex-ante indicators
- Deployment of ex-post impact assessment

**TAKING ACTION IN PRIORITY AREAS**

Priority given to areas most in need under the Agenda 2030 targets
- Intervention strategy that differs by geographic area: presence in Africa & French Overseas
- Crisis Response and Resilience (Example: COVID-19)
- Aid to States in great difficulty (debt moratoriums, Paris Club)*

**ENGAGING THE PRIVATE SECTOR**

- Creation of a leveraging effect on private sector and « limit the risks » of projects with strong E&S impacts
- Proparco subsidiary dedicated to the private sector

**ENCOURAGING GOOD PRACTICE**

- Sharing experience in the issuance of sustainable debt instruments
- Leadership within IDFC and participation to OECD work on SDG alignment
- First Public Bank Summit to be held in November 2020, hosted by AFD

* Specific elements of the SDG Bond Framework that determine the eligibility of loans
An innovative SDG issuance Framework

Why is a SDG Framework developed?

The AFD Group has a universal mandate and tools for the implementation of the SDGs:

- The SDGs are at the center of the AFD Group strategy, which has its own reading, and are grouped according to AFD’s six transitions
- The AFD Group conducts studies on assessing investments’ alignment with the SDGs (concept of Sustainable Development Investment)
- AFD Group’s strategies are developed to take into account the interlinkages between the SDGs and the potential misalignment of certain SDGs within the same financing
- SDGs are integrated into operational funding analysis tools: SDAO, impact analysis

Why is this Framework innovative?

- The framework goes into further depth than the SDG “branding”.
- Because of the eligibility criteria, loans can be selected based on their contribution to the SDGs
- The issuance framework considers the interlinkages between the SDGs by excluding loans with negative SDAO rating on one of the six dimensions

How does this issuance Framework differ from the existing SDG bonds Framework?

- There is an increasing number of references to SDGs in issuance Frameworks or in reporting documents. However, these references are only thematic “mappings” of the eligible categories or an ex-post analysis, without clear demonstration of the contribution towards SDGs’ achievement
- The AFD Group’s SDG issuance Framework adopted an “impact by design” approach that selects loans according to their actual contribution to the SDGs
The SDGs are at the heart of the AFD Group’s six strategic transitions

The AFD Group’s strategic vision and organization is based on its own assessment of the 17 Sustainable Development Goals, grouped into six transitions categories (certain SDGs also being transversal):

- **Energy transition**
  - Ensuring everyone has access to reliable, sustainable, affordable and low-carbon energy to help containing global warming below 1.5 to 2°C compared to the pre-industrial age

- **Demographic & Social transition**
  - Financing basic social services such as education and health, and contributing to the strengthening of the social link for the 8.5 billion people who will be living on Earth in 2030

- **Digital & technological transition**
  - Making digital a lever for accelerating development trajectories and achieving the SDGs

- **Economic & Financial transition**
  - Supporting the transformation of the economy so as to build economic, social and environmental stability that is viable over the long-term

- **Regional & ecological transition**
  - Developing sustainability to all regions, both urban and rural, while taking environmental and social challenges into account

- **Policy & citizen-focused transition**
  - Re-inventing more inclusive and horizontal governance models
The “Sustainable Development Analysis and Opinion” mechanism
A tool to monitor the interplays between the SDGs

• Taking the stakes of sustainable development into account transversally in AFD’s financing operations
• Raising various questions and encouraging the consideration of projects’ impacts
• Associating counterparties as soon as they are identified
• The mechanism is composed of 2 processes:

1. Sustainable Development Analysis
   - Conducted by project team
   - Evaluates the expected positive or negative impacts of the funding
   - Expected effects are measured across 6 sustainable development dimensions
   - Estimation of the positive and negative potential impacts (from -2 to +3) for each dimension

2. Sustainable Development Opinion
   - Conducted by a team that is independent of the project
   - Provides an overall assessment of a project, for the sake of accountability
   - Opinion that may be favorable, favorable with recommendations, reservations expressed or negative
   - Raises questions on how to mitigate or offset negative impacts and optimize positive impacts

Promoting a type of growth that consumes fewer natural resources
Making production systems more resilient to economic, environmental and social crises
Reducing inequalities & social vulnerability
Supporting structural changes in society to ensure collective benefits
Removing barriers and ensuring women access to opportunities created by the projects
Supporting structural changes in society to foster greater independence for women
Supporting low-carbon transitions
Identifying & supporting the development of technical and institutional options for climate change resilience
Improving the quality of «ordinary» environments and taking action on factors of degradation of natural resources & biodiversity
Fostering the emergence of decision-making, management and regulatory modes based on greater access to information, justice, consultation and participation
Use of proceeds (1/4)

A loan is eligible if it satisfies all of the following three conditions (cumulative requirement):

1. **Contribution to the SDGs**: the project/activity funded contributes to one Sustainable Development Goal, in addition to SDGs n°1 and n°17, contributes to one of the six transitions in the AFD Group’s strategic plan and addresses one of the eligible categories of SBP, GBP, SBG of ICMA.

2. **Thematic & technical eligibility**: the loan meets **at least one** of the three technical eligibility criteria
   
   1. Theme-based eligibility: depending on the **intrinsic nature or purpose** of the activities/projects
   2. Climate performance eligibility: depending on the **minimal climate performance level of mitigation projects**
   3. Transformation eligibility: conditioned on **reaching sustainable development results**

3. **Positive interlinkages between SDGs taken into account**

   Positive or neutral rating on the six dimensions of the “Sustainable Development Analysis and Opinion” mechanism

   Projects are rated by DEV 1 or 2 as part of the impact rating (scale of 1 to 6)
**Use of proceeds (2/4)**

**SDG contribution**

**SDG Contribution:** the project/activity funded contributes to a Sustainable Development Goal, in addition to SDGs n°1 - n°17, contributes to one of the six transitions in the AFD Group’s strategic plan and addresses one of the eligible categories of SBP, GBP, SBG of ICMA.

<table>
<thead>
<tr>
<th>Six transitions of the AFD Group</th>
<th>The Sustainability Bond Guidelines</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy transition</td>
<td>Renewable energies, energy efficiency</td>
<td>Entire population (including populations with costly and/or discontinuous access to energy)</td>
</tr>
<tr>
<td>Demographic and social transition</td>
<td>Access to essential services (health, education)</td>
<td>People living under the poverty threshold, People who are victims of a lack of access to essential goods and services, Sick, elderly or vulnerable persons, Under-schooled persons, Women and/or sexual minorities</td>
</tr>
<tr>
<td>Digital and technological transition</td>
<td>Essential infrastructures</td>
<td>Population that is victim to lack of digital infrastructure or that is computer illiterate</td>
</tr>
<tr>
<td>Economic and financial transition</td>
<td>Job creation, access to essential services and combatting poverty, socio-economic development and promotion</td>
<td>People who are victim of a lack of access to essential goods and services and productive resources, People excluded from economic life</td>
</tr>
<tr>
<td>Regional and ecological transition</td>
<td>Food safety, essential infrastructures, preservation of terrestrial and aquatic biodiversity, clean transportation</td>
<td>People who are victim of a lack of access to essential goods and services, essential infrastructures, public spaces or socio-collective urban equipment, vulnerable rural populations, family farms transitioning to agro-ecology systems, People living in recurring flood zones</td>
</tr>
<tr>
<td>Policy and citizen-focused transition</td>
<td>Socio-economic development</td>
<td>Population without access to fair and effective public institutions; Population in crisis or conflict zones / affected by a conflict</td>
</tr>
</tbody>
</table>

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Use of proceeds (3/4)

Thematic & technical eligibility

2 Thematic & technical eligibility: the loan meets at least one of the following three thematic or technical eligibility criteria:

A- Theme-based eligibility: depending on the intrinsic nature or purpose of the activities/projects (examples below)
- Drinking water distribution
- Health care infrastructure
- School equipment
- Waste management
- Digital Entrepreneurship Support

B- Climate performance eligibility: depending on the minimal climate performance level of mitigation projects
- Emission reduction or avoidance of at least 10,000 tons of CO2 equivalent per year

C- Transformation eligibility: conditioned on reaching sustainable development results
- “Transformation” loans with a results-based approach: the disbursement or financial parameters of the loan are tied to the achievement of Disbursement Linked Indicators (DLIs), which creates an incentive to achieve positive results

Loan agreement and identification of E&S targets  
Meeting the indicators  
Disbursement of the loan or adjustment of its conditions (e.g. margin)
Use of proceeds (4/4)

Interlinkages between SDGs taken into account

Positive interlinkages between SDGs taken into account

Only loans with positive or neutral on each of the six dimensions of the “Sustainable Development Analysis and Opinion” mechanism

Loans with DEV 1 and 2 grades

The “DEV” grades measures the effects on development, through the assessment of sub-criteria such as governance, effects on employment or on the environmental or other social effects. These DEV grades are ranked on a scale of 1 to 6, with a DEV1 grade being the most positive in terms of effect on development.

<table>
<thead>
<tr>
<th>SDG</th>
<th>Description</th>
<th>DEV Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>Sustainable growth and resilient economy</td>
<td>2</td>
</tr>
<tr>
<td>D2</td>
<td>Social well-being and reduction of social imbalances</td>
<td>2</td>
</tr>
<tr>
<td>D3</td>
<td>Gender equality</td>
<td>2</td>
</tr>
<tr>
<td>D4</td>
<td>Conservation of biodiversity, management of natural environments and resources</td>
<td>2</td>
</tr>
<tr>
<td>D5.a</td>
<td>Transition to a low-carbon trajectory</td>
<td>2</td>
</tr>
<tr>
<td>D5.b</td>
<td>Resilience to climate change</td>
<td>2</td>
</tr>
<tr>
<td>D6</td>
<td>Sustainability of project’s effects and governance framework</td>
<td>2</td>
</tr>
</tbody>
</table>
Example of eligible loan: Support technical and vocational training in Cambodia

AFD has granted a sovereign loan up to USD 16.8M to the Kingdom of Cambodia for the *Skills for Competitiveness project*. This project supports the implementation of Cambodia’s industrial policy and more specifically the shift from a low-skills labor-intensive industry to a skills-driven industry that is able to meet regional market challenges in 4 priority sectors (manufacturing, construction, electricity, electronics). To achieve this, the project will:

- Improve the quality and relevance of post-secondary technical training programs of 5 training institutions
- Support these 5 training institutions to develop short term courses targeting workers of the 4 priority sectors to upgrade their skills.

**Main expected results**

- 18,000 young graduates at diploma level, of which 28% are women
- At least a 10% increase in diploma graduates who find employment within 6 months after graduation;
- 300 trainers trained;
- At least 360 workers, of which 25% women, have improved their technical and soft skills.

**Financing tool** : Sovereign loan  
**Global budget**: 88.3MUSD co-financed by ADB and RGC  
**Signing date**: Dec. 24th 2019  
**Project status**: in progress

---

**Loan eligibility**

1. **Contribution to SDGs**

   - No poverty
   - Quality Education
   - Gender equality
   - Reduced Inequalities
   - Peaceful & inclusive societies
   - No negative rating on the six dimensions of the SDAO

   D1: +2  
   D2: +2  
   D3: +2  
   D4: +1  
   D5a: 0  
   D5b: +1  
   D6: +2

2. **Theme-based & technical eligibility**

   **Eligibility A - Theme-based eligibility**

   - **Education and vocational training**

   Project type: Vocational and technical training, and apprenticeship

3. **Consideration of the interrelations between the SDGs**

   - No negative rating on the six dimensions of the SDAO

   D1: +2  
   D2: +2  
   D3: +2  
   D4: +1  
   D5a: 0  
   D5b: +1  
   D6: +2

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Example of eligible loan: Optimization of Santo-Domingo metro line 1

AFD is funding up to €150 million for the extension of several stations, and the increase in train capacity through acquisition of new wagons. This will improve performance and quality of service, in a context of transport congestion, inefficient public transport network and ever-increasing road traffic.

**Expected impacts**
- 26,000 tCO2eq/year avoided
- Capacity increased to 145,000 passengers per day
- Facilitated access to essential services for populations (including the most vulnerable)
- Relieves urban congestion
- Reduction of air pollution

**Financing tool:** Sovereign loan

**Global budget:** 160MEUR (with a EUR 10M EU grant)

**Signing date:** 2018/2019

**Status of project:** in progress

**Loan eligibility**

**Contribution to SDGs**

**Theme-based & technical eligibility**

**Eligibility B - Climate performance eligibility**

- **26 000 tCO2eq /year**
  Above the threshold of 10,000 tCO2eq/yr

**→ Mitigation loan eligible to climate bond**

**Consideration of the interrelations between the SDGs**

- **No negative rating** on the six dimensions of the SDAO

Example of eligible loan: Policy-based loan to social protection sector in response to Covid-19 crisis in India

AFD is funding up to €200 million for India’s “PMGKYP*” program, designed to help people who have suffered from the lockdown measures.

Objective: Strengthening the capacity of the States and the Federal Government to provide a coordinated and adequate response to the effects of the Covid-19 pandemic to the poorest and the most vulnerable people, based on the existing social assistance system.

Financing tool: Policy-based loan associated with a public policy matrix identifying structural reforms to be implemented by the Indian government by 2021. The achievement of the objectives of the matrix determines the disbursement of the policy-based loan.

Examples of disbursement indicators in the Public Policy Matrix:
• Adoption of a decree in order to distribute food to vulnerable people hit by lockdown
• Creating a health insurance system for medical staff fighting Covid-19

Examples of sustainable development targets:
• % of poor households eligible for additional food rations for a three-month period, under the Covid-19 social protection program → Target: 60% in 2021
• % of poor households who received at least one PMGKY benefit* within eight weeks following the program announcement → Target: 30% in 2021

* Pradhan Mantri Garib Kalyan Yojana is an emergency social protection program for the poor, vulnerable and informal workers and was announced on 26 March 2020. It is based on five existing social protection programmes.

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Loan Identification and Selection Process

The process for identifying and selecting eligible loans is based on AFD’s and Proparco’s internal governance system, using a series of ESG diligence reviews throughout the “project cycle”

Internal governance of AFD & Proparco
This process applies to all of the Group financing, deploying a series of ESG diligences throughout the “project cycle”

Controlling the environmental, social and governance risks
The prevention and identification of risks is carried out through:
- An exclusion list
- **Specific diligence based on activity sector** (Agriculture, Mining, Large Dams, Energy)
- Controlling **risks of the misappropriation of assistance**, corruption, fraud, money laundering and the financing of terrorism.

Analyzing the impacts tied to each financing

The Sustainable Development Analysis and Opinion mechanism (SDA0)
Sustainable Development Analysis: a grade from -2 to +3
Sustainable Development Opinion: Independent team opinion

DEV rating
Impact measurement of the financing: a grade from 1 to 6

Framework governance: Thematic Bond Committee
**Biannual meeting**

- Supervision of the eligible loans portfolio
- Management of Issuance Framework Updates
- Liaison with external evaluators (Second Opinion and auditors)
- Validation of annual allocation and impact reports

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AGENCE FRANÇAISE DE DÉVELOPPEMENT 39
Management of proceeds

The net proceeds of each SDG Bond will be managed by the AFD Group’s Financing and Market Transactions Division and will constitute a portfolio of SDG Bonds.

An amount equal to the net proceeds of the SDG Bond portfolio will be matched with a portfolio of eligible loans. The Group will maintain a safety cushion to ensure that the net proceeds of the SDG Bonds never exceed the eligible loan portfolio amount.

The AFD Group will endeavor to allocate the net proceeds of the bonds to eligible loans within the calendar year following the year the bond was issued.

Amounts raised but not yet allocated will be managed by the AFD Group’s cash management team. This liquidity will be managed in cash and by using monetary products and invested in socially responsible investment funds (SRI) on a best effort basis.
Reporting & verification processes

**Allocation report**

The report will present:
- The total amount of proceeds allocated to date;
- The financing breakdown per signature year;
- The share of disbursements made in the new calendar year versus the disbursement balance;
- The share of loans that integrated the loan portfolio;
- The total amount of proceeds awaiting allocation and the type of temporary investments;
- The number of loans in the eligible loan portfolio;
- The breakdown of allocated funds among the four eligibility criteria;
- The geographic distribution of loans

**Impact report**

Measuring social and environmental benefits of eligible loans
- With “aggregatable” indicators ex-ante if they are available
- For loans meeting the technical eligibility criterion n°2: carbon balance footprint (> 10,000 tCO2eq/year)
- For loans that meet the technical eligibility criterion n°3: loan by loan accountability indicators

Evaluating and monitoring the impact of eligible loans
- According to the AFD Group’s evaluation policy, these evaluations can provide more details to the impact reports
- Three types of assessments: project evaluation, broad scope evaluation (on a specific sector or instrument) or scientific impact evaluation (measuring effects only attributable to an intervention)

**Indepedant auditor**

Annual verification until full allocation of proceeds:
- Allocation of funds to eligible loans
- Compliance with the criteria defined in the “Use of Proceeds” section of loans in the eligible pool that are refinanced by proceeds raised
Impact Report

According to the three eligibilities

Measuring social and environmental benefits via **aggregatable indicators**

**Examples of aggregatable indicators**

- Number of people whose **access to healthcare** is improved
- Number of **girls in technical and vocational education**
- Number of persons with access to an **Internet service**
- Number of people with access to **sustainable electricity services**
- Areas benefiting from **biodiversity conservation or restoration programs**
- Rates of women with access to **credit**

**Indicators based on the minimum **climate performance** of the projects (eligibility B)**

- **Ex ante carbon footprint** – Emission reduction or avoidance of at least 10,000 tCO₂eq/year

**Indicators based on the **conditionality to the achievement** of environmental and social outcomes (Eligibility C)**

« **Disbursement Triggers** » (Disbursement Linked Indicators DLIs)

Selection, definition, target achieved and to be achieved

**Examples:**
- Share of vulnerable people in the two lowest distribution quintiles, who are covered by cash transfer programs
- % of poor households eligible for additional food rations for a three-month period, under the Covid-19 social protection program

October 2020
Second Party Opinion

Vigeo Eiris is of the opinion that AFD’s Framework is aligned with the four core components of the Green Bond Principles 2018 (“GBP”), Social Bond Principles 2020 (“SBP”) and Sustainability Bond Guidelines, offers an ADVANCED CONTRIBUTION to sustainability, and is in line with the BEST PRACTICES.

- **ADVANCED SCORE** (highest level in Vigeo Eiris’s assessment scale): means advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. Reasonable level of risk management & using innovative methods to anticipate new risks.

- **BEST PRACTICES** (highest level in the scale of assessment of alignment with GBP/SBP Principles): means the Instrument’s practices go beyond the core practices of the ICMA’s Green and/or Social Bond Principles by adopting recommended and best practices.

**Example of best practices identified in the SPO**
- Content, eligibility and exclusion criteria are clear and in line with international standards for all categories;
- Relevant environmental and/or social benefits are identified and measurable for all project categories;
- The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
**AFD Highlights**

- **The French bilateral aid agency**
  - Established in 1941, entirely state-owned and controlled by the State, AFD benefits from the EPIC status
  - Fulfil the ODA and Climate Change government policy
  - Activity boosted with adding EUR 4Bn + EUR 1Bn per year of commitments from 2016 until 2020
  - A growing activity after 2020 in order to reach a target of 0.55% of French GNI in 2022

- **Fully regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution)**
  - Strong Basel II Capital Adequacy Ratio at 16.75%
  - Strong CET1 ratio at 13.86%

- **AA / AA ratings by Fitch and S&P**
  - Conservative credit risk and provisioning policy backed by French State guarantees for non-performing sovereign loans
  - Prudent market risk management framework

- **Recurrent EUR and USD Benchmark Issuer**
  - 20% risk weighting under Basel II
  - Eligible to the ECB’s Public Sector Purchase Programme (PSPP)
  - Euro transactions are ECB eligible as “Recognised Agency”

- AFD, as an issuer, received “Advanced” overall CSR performance by Vigeo and “Prime status” by Oekom
- SDG Bond Framework assessed “Advanced” with “best practices” by Vigeo
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