

Agence Francaise de Developpement

Fitch Ratings considers Agence Francaise de Developpement (AFD) to be a government-related entity (GRE) of the Agence Francaise de Developpement state (AA-/Stable) and equalises its ratings with those of the sovereign. The Stable Outlook for AFD mirrors that of the sovereign.

Key Rating Drivers

Support Score Assessment – ‘Virtually Certain’

We view extraordinary support from the French government to AFD as ‘Virtually Certain’, driven by a support score of 50 points out of maximum of 60 under Fitch’s Government Related Entities Rating Criteria. This reflects a combination of the assessments for responsibility to support and incentive to support as shown below.

Responsibility to Support: AFD has the status of etablissement public industriel et commercial (EPIC). It means that in case of dissolution, its liabilities would be transferred to the French state or to another public entity designated by the state. AFD has also access to the state’s emergency liquidity support mechanism. AFD is tightly controlled by the French state through a multi-year objectives and resources agreement, ongoing supervision through supervising ministries, and the appointment by the state of the managing director and chairman of the board.

Incentive to Support: AFD plays a major role in France’s foreign policy, as it is the main operator of bilateral development, and a reference issuer in France. In Fitch’s view, a default of AFD would have a material impact on an important policy mission of the French state as well as on the borrowing capacity of other French GREs, especially etablissements publics.

Operating Performance: AFD’s capital adequacy ratio remained sound at 14.95% at YE 2023, with total regulatory capital at EUR9.15 billion (13% of total assets). At YE 2023, AFD posted consolidated operating result before taxes of EUR346 million, a 21% decrease from 2022. This drop was driven by rising interest expenses, which outpaced interest revenue.

Ratings

Foreign Currency

Long-Term IDR	AA-
Short-Term IDR	F1+

Outlook

Long-Term Foreign-Currency IDR	Stable
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Debt Ratings

Senior Unsecured Debt - Long-Term Rating	AA-
Senior Unsecured Debt - Short-Term Rating	F1+

Issuer Profile Summary

AFD is the French state’s development finance agency. It is responsible for providing concessional loans and budgetary aid to public-sector counterparties in developing markets, including French overseas territories, and to private-sector entities through its main subsidiary, Proparco. It also provides technical assistance through Expertise France.

Financial Data Summary

(EURm)	2022	2023
Interest revenue	2,018	3,872
Net interest income	485	346
Net profit (loss)	481	370
Total assets	64,013	69,529
Total debt	44,421	50,520
Net interest income/ earning assets (%)	1.3	0.5
Long-term debt/total equity and reserves (%)	4.4	4.7

Source: Fitch Ratings, Agence Francaise de Developpement

Applicable Criteria

[Public Policy Revenue-Supported Entities Rating Criteria \(January 2024\)](#)

[Government-Related Entities Rating Criteria \(July 2024\)](#)

Related Research

[Fitch Affirms Agence Francaise de Developpement at ‘AA-’; Outlook Stable \(September 2023\)](#)

[Supranationals, Subnationals and Agencies Handbook \(September 2023\)](#)

[What Investors Want to Know: The Status of EPs Is not Tantamount to a Guarantee \(February 2018\)](#)

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Rating Synopsis

Fitch equalises AFD's ratings with those of the sovereign. This reflects the 'Virtually Certain' likelihood of support from the state. We currently do not assign a Standalone Credit Profile (SCP) to AFD. Its ratings are driven by support due to its crucial policy role and close relationship with the state.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of the sovereign ratings would result in a similar action on AFD.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of France's ratings would lead to a downgrade of AFD's ratings.

A downgrade could also result from a weaker assessment of the responsibility-to-support or incentive-to-support factors, leading to a support score of below 45 points under our *Government-Related Entities Rating Criteria*. This could result from AFD's lower importance to the state, which Fitch views as unlikely.

Issuer Profile

AFD was established in 1941 as France's development finance agency. AFD aims to reduce poverty and inequalities, and promote sustainable economic growth and long-term carbon neutrality. AFD can extend loans, grants, guarantees and other forms of budgetary aid to public-sector entities in developing markets, including French overseas territories, and to private-sector entities through its main subsidiary Proparco.

AFD has a network of subsidiaries that implement different activities, with Proparco, AFD's largest subsidiary, the most important. Proparco is a limited-liability development finance institution specialised in financing the private sector in developing countries globally. On behalf of AFD, Proparco manages Fisea, an investment fund that supports the development of African SMEs.

Some of AFD's subsidiaries are focused on sustaining French overseas territories: Sogefom provides guarantees; Société Immobilière de Nouvelle-Calédonie (SIC) is a social housing developer in New Caledonia; Socredo is a semi-public bank that operates in Polynesia in important economic sectors, including shipping and tourism. AFD manages Societe de Developpement Regional Antilles Guyane's (Soderag) liquidation of residual assets and liabilities.

On 1 January 2022, AFD incorporated Expertise France, a public agency specialised in providing technical assistance on international projects, in support of France's development aid and cooperation policy.

The AFD group produces consolidated financial statements in accordance with IFRS. AFD also produces financial statements in accordance with French GAAP. Fitch rates AFD and its debt at the EPIC level (non-consolidated – excluding Proparco and other subsidiaries). In the appendices, in addition to the EPIC level financials, Fitch also provides consolidated financial statements to give a better understanding of the group's activity.

Support Rating Factors

Summary

Responsibility to support		Incentives to support		Support score	Support category
Decision making and oversight	Precedents of support	Preservation of government policy role	Contagion risk		
Very Strong	Very Strong	Strong	Very Strong	50 (max 60)	Virtually Certain

Source: Fitch Ratings

Decision Making and Oversight

The state created AFD with the special legal status of an établissement public a caractere industriel et commercial (EPIC). The state monitors AFD and defines its objectives and resources through a multiyear agreement (contrat d'objectifs et de moyens, COM).

The ministries of economy, cooperation and overseas territories continuously review AFD's activities and can arrange independent audits on specific aspects or operations. The state is represented on AFD's board of directors and appoints the chairman and managing director by decree.

The Programming Law on Development and International Solidarity 2021-2031 defines AFD's central role in France's foreign policy, and priority sectors and countries. In particular, the law raised the target for loans allocated to Official Development Assistance to 0.7% of GNI from 0.55% until 2021.

The state appoints important AFD personnel, such as the managing director and the chairman of the board. The state has a sizeable presence on the 18-member board: five state representatives and a government commissioner, four members of parliament, six state-nominated experts (economy, migration and sustainable development), and two AFD internal appointees.

AFD is also subject to broader supervisor by the Court of Audit (Cour des Comptes) and the French Prudential Supervision and Resolution Authority, which regulates French financial intermediaries.

Precedents of Support

As an EPIC, AFD's liabilities would be transferred to the state or to another state-designated public entity in the event of its dissolution. There are precedents for this support mechanism in France. AFD can also access the state's emergency liquidity-support mechanisms if needed, such as emergency loans or the purchase of short-term notes by the French treasury or the state's debt fund (Caisse De La Dette Publique).

The state supports AFD directly through preferential long-term loans and subsidies. It also loans on behalf of AFD (accounting for about 11% of AFD's total gross loan portfolio at YE 2023) and provides guarantees for some. To support AFD's growing engagement, the state increased AFD's capital by EUR190 million in 2022 and by EUR1.4 billion in 2021.

Preservation of Government Policy Role

In Fitch's view, a default by AFD would have a material impact on an important policy mission of the state and could result in grave political repercussions.

AFD has an important role in France's foreign policy. It is the main operator of bilateral development aid, liaising with several domestic and international partners, including international financial institutions, sovereigns, and local authorities. The French government relies on AFD to increase its official development assistance and to carry out international commitments such as sustainable development goals outlined in the UN's 2030 Agenda for Sustainable Development and the Paris Agreement. AFD's operations are primarily funded by debt markets, so a default would have a direct impact on its ability to fulfil its mission.

Fitch believes that AFD would be difficult to substitute in the short to medium term, given its worldwide presence with 85 field agencies, total asset size of close to EUR70 billion at end-2023 and large volume of transactions.

AFD is a recognised partner in prominent international gatherings and chairs the International Development Finance Club, whose aim is to share competencies and experiences to encourage climate-sensitive strategies and operations among its members.

Contagion Risk

Fitch views AFD as a core government entity for the state due to its important policy role. AFD is a reference issuer in France and has access to domestic and international financial markets. Fitch believes a default by AFD would have a direct impact on other French GREs, especially établissements publics, as it would erode investor confidence in the willingness of the state to support its entities.

Operating Performance

At YE 2023, AFD posted a pre-tax consolidated operating result of EUR346 million, a 29% decrease from 2022. This drop was due to rising interest expenses, which outpaced interest revenue. The cost of risk (i.e. value adjustments after impairment of assets and provisions) improved to EUR34 million, from -EUR18 million in 2022. The increase was mainly due to accounting and methodological adjustments.

AFD is exposed to high-risk counterparties in developing markets and to long maturities (as per its mission). The share of non-performing loans (NPLs) in the EUR46 billion loan portfolio at own risk remains moderate at 6.2%. The NPLs are concentrated mostly in the private sector.

AFD has a prudent provisioning policy, and sovereign risk is mitigated by a EUR1.4 billion state-backed reserve account.

AFD's capital adequacy ratio remained sound at 14.95% at YE 2023, with total regulatory capital at EUR9.15 billion (13% of total assets). This was above the regulatory minimum of 11.75%. AFD's main source of funds is market borrowing via its long- and short-term issuance programmes.

Group Operations

AFD's Activities Run Along Three Main Lines:

- AFD's main mission is to provide long-term loans, subsidies and loan guarantees to sovereign and non-sovereign counterparties in developing markets, generally using AFD's own funds.
- AFD redistributes government funding through concessional loans or direct budgetary aid to sovereigns, NGOs or through multilateral instruments (e.g. the Heavily Indebted Poor Countries Initiative or the IMF's poverty reduction and growth facility). It is also authorised to represent third parties, including CDC and Bpifrance Financement S.A. in French overseas territories.
- AFD provides technical expertise in developing countries (e.g. project management and sustainable development) within the framework of AFD-funded projects. It provides technical help to other countries and international businesses through project advisory and training services.

The state compensates AFD for financing made on its behalf, through service fees. It also provides AFD with preferential long-term loans to help lower interest rates on loans.

Assets and Commitments

AFD's consolidated assets increased by 9% yoy in 2023, driven by growth in the loan portfolio (72% of total consolidated assets), and the increase in cash and equivalents.

Fitch continues to expect sustained growth of AFD's loans portfolio in the medium term, backed by its countercyclical role of sustaining development in weaker countries and in line with the revised government objective of increasing its contribution to development aid to 0.7% of GNI (from 0.55%).

Loan Portfolio

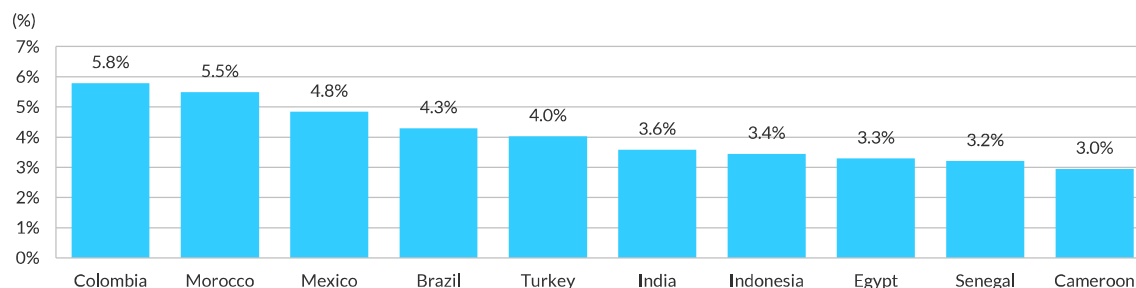
Own-risk loans dominate the portfolio, which accounts for 92% of total loans and increased 5% yoy in 2023. Loans guaranteed by the state increased by 4%.

The loan portfolio composition remained fairly stable in 2023, with sovereign loans accounting for 57% of the total portfolio, 29% of non-sovereign loans, and the remaining 14% in lending to French overseas territories.

Non-sovereign activities are limited to 30% for geographical concentration and 8% on single names. AFD focuses on Africa, "Three Oceans" (overseas departments and neighbouring countries in the geographical basins of the Atlantic, Indian, and Pacific Oceans), Asia and Latin America.

AFD has open operations in 98 countries. The top 10 countries by exposure accounted for 41% of outstanding loans at end-2023.

AFD Group and Proparco - Top 10 Countries Exposure (% of Total Loans in 2023)



Source: Fitch Ratings, AFD

Interest Income Summary, 2023

	(EURm)	% of interest revenue
Interest on loans	3,718.1	96.0
Other interest revenue	154.0	4.0
Interest revenue	3,872.2	100
Interest expenditure	-3,627.2	-
Net interest income	245.0	-
Net interest margin (%)	6.3%	-
Memo: transfers and grants from government	0	-

Source: Fitch Ratings, Fitch Solutions, Agence Francaise de Developpement

Debt and Liquidity Analysis

AFD's debt totalled EUR50.5 billion at end-2023, with EUR4.5 billion-EUR7.5 billion repayments annually in 2024-2027. AFD mitigates refinancing risk by maintaining an adequate liquidity buffer that consists of EUR2.5 billion cash due from the central bank and EUR1.35 billion of high-quality securities at YE 2023.

AFD can raise short-term liquidity on the market through its EUR8 billion Neu commercial paper and its EUR2 billion Neu medium-term note programme.

AFD's main source of funding is market borrowing that it can access via its EMTN Programme; this was raised in 2024 to EUR70 billion from EUR60 billion to cope with the agency's increased commitments (EUR1.2 billion a year) and corresponding funding, which can reach EUR10 billion new issuances a year.

AFD has developed a sustainable development goal bond framework, which expands the climate change focus to broader environmental and social aspects. The new framework complies with green bond and social bond principles. The agency targets new fundraising at 40% of annual bond issuances to meet its increasing commitments on sustainable development; in 2023, 43% of AFD's new issuances were sustainable notes.

Debt Analysis

(EURm)	End 2023	% of total debt
Total debt	50,520	-
Issued debt	48,362	96%
Short-term debt	7,601	15%
Debt in foreign currency	11,261	22%
Debt at floating interest rate	556	1%
Weighted average life of debt (years)	5.7	-

Source: Fitch Ratings, Fitch Solutions, Agence Francaise de Developpement

Short-Term Rating Derivation

AFD's 'F1+' Short-Term IDR is the only option mapping a 'AA-' Long-Term IDR, according to Fitch's correspondence table.

Debt Ratings

The ratings of AFD's EMTN, Neu CP and Neu MTN programmes are equalised with its IDR.

Peer Analysis

Peer Comparison

	Government	Government LT IDR	GRE score	Support Category	LT IDR
Agence Francaise de Developpement	France	AA-	50	Virtually certain	AA-/Stable
Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V.	Netherlands	AAA	45	Virtually certain	AAA/Stable
Caisse des Depots et Consignations	France	AA-	60	Virtually certain	AA-/Stable
EPIC Bpifrance	France	AA-	50	Virtually certain	AA-/Stable

Source: Fitch Ratings

AFD's ratings compare well with those of other French établissements publics (EP), such as Caisses des Depots et Consignations (CDC), EPIC Bpifrance, or Caisse d'amortissement de la dette sociale (all three AA-/Stable), whose ratings are also equalised with the state.

The rating approach is also similar to that applied to Dutch development bank FMO (AAA/Stable), which has the same GRE score and assessment of rating factors as AFD, and to Cassa Depositi e Prestiti SpA (CDP; BBB/Stable) in Italy. The difference of ratings stems from the sovereign ratings.

ESG Considerations

Fitch no longer provides ESG scores for AFD as its ratings and ESG profile are derived from its parent. ESG relevance scores and commentary for the parent entity – the French state – can be [found here](#).

Appendix A: Financial Data

Agence Francaise de Developpement - EPIC

(EURm)	2019	2020	2021	2022	2023
Income Statement					
Interest revenue	1,844	1,752	1,600	2,063	3,979
Interest expenditure	-1,343	-1,191	-1,048	-1,483	-3,739
Net interest income	501	561	552	580	240
Net fees and commissions	0	0	0	0	0
Other operating income	248	246	242	280	586
Personal expenses	-294	-314	-334	-350	-365
Other operating expenses	-173	-155	-168	-179	-200
Net gains and losses on securities and trading	0	0	0	0	0
Net operating income (loss)	283	338	292	331	261
Provisions	-117	-191	-35	43	184
Other non-operating items	-5	-41	-17	-11	-120
Transfers and grants from public sector	0	0	0	0	0
Taxation	0	0	0	0	0
Net profit (loss)-	160	106	240	363	325
Balance Sheet					
Assets					
Cash and cash equivalents	1,259	3,158	2,086	1,008	2,497
Liquid securities	1,434	1,342	1,173	1,124	1,081
Deposits with banks	0	0	0	0	0
Loans	41,979	45,442	49,934	53,912	55,810
Other earning assets	862	983	997	2,352	4,338
Long term Investments	0	0	0	0	0
Fixed assets	191	184	176	485	594
Intangible assets	36	46	64	92	131
Other long-term assets	2,090	2,421	2,469	5,689	5,430
Total assets	47,851	53,574	56,898	64,662	69,881
Liabilities & equity					
Customer deposits	0	0	0	0	0
Deposits from banks	469	423	574	463	842
Short-term borrowing	4,704	4,954	4,697	4,348	5,539
Other short-term liabilities	2,566	2,699	2,248	2,574	3,161
Debt maturing after one year	31,207	35,994	38,896	45,764	48,229
Other long-term funding	0	0	0	0	0
Other provisions and reserves	1,327	1,598	1,657	1,791	2,007
Other-long term liabilities	1,943	2,180	1,463	1,857	1,836
Share capital	5,175	5,266	6,904	7,406	7,806
Reserves and retained earnings	460	460	460	460	460
Equity and reserves	5,635	5,726	7,364	7,866	8,266
Total liabilities and equity	47,851	53,574	56,898	64,662	69,881

Source: Fitch Ratings, Fitch Solutions, AFD

Agence Francaise de Developpement - Consolidated

(EURm)	2019	2020	2021	2022	2023
Income Statement					
Interest revenue	1,803	1,743	1,620	2,018	3,872
Interest expenditure	-1,270	-1,148	-988	-1,394	-3,627
Net interest income	533	594	632	624	245
Net fees and commissions					
Other operating income	306	170	316	454	729
Personal expenses	-295	-313	-333	-384	-403
Other operating expenses	-192	-171	-182	-209	-225
Net gains and losses on securities and trading					
Net operating income (loss)	352	280	433	485	346
Provisions	-150	-269	-106	-18	34
Other non-operating items	-2	-6	6	18	2
Transfers and grants from public sector					
Taxation	-18	10	-11	-5	12
Net profit (loss)	182	16	323	481	370
Balance Sheet					
Assets					
Cash and cash equivalents	1,259	3,158	2,086	1,010	2,497
Liquid securities	1,720	1,600	1,461	1,403	1,353
Deposits with banks					
Loans	36,903	41,287	44,299	47,029	50,302
Other earning assets	18	28	33	35	26
Long term Investments	6,311	6,736	5,780	8,937	10,692
Fixed assets	269	255	234	543	635
Intangible assets	36	46	64	93	133
Other long-term assets	1,039	1,116	1,268	4,963	3,890
Total assets	47,555	54,225	55,225	64,013	69,529
Liabilities & equity					
Customer deposits					
Deposits from banks	11	14	28	17	22
Short-term borrowing	4,704	4,954	4,697	6,138	7,601
Other short-term liabilities	4,312	4,740	3,804	8,529	7,262
Debt maturing after one year	29,778	35,416	36,442	38,283	42,919
Other long-term funding					
Other provisions and reserves	1,152	1,287	1,355	1,441	1,727
Other-long term liabilities	1,288	1,535	840	841	842
Share capital	6,106	6,125	7,877	8,591	8,990
Reserves and retained earnings	204	155	181	173	165
Equity and reserves					
Total liabilities and equity	47,555	54,225	55,225	64,013	69,529

Source: Fitch Ratings, Fitch Solutions, AFD

Appendix B: Financial Ratios

Agence Francaise de Developpement - EPIC

(%)	2019	2020	2021	2022	2023
Performance					
Interest revenue on loans/loans	4.1	3.6	3.0	3.6	6.9
Interest expense/borrowings and deposits	3.7	2.9	2.4	2.9	6.8
Net interest income/earning assets	1.1	1.1	1.0	1.0	0.4
Net operating income/net interest income and other operating revenue	37.7	41.9	36.8	38.5	31.6
Net operating income/equity and reserves	5.0	5.9	4.0	4.2	3.2
Net operating income/total assets	0.6	0.6	0.5	0.5	0.4
Credit Portfolio					
Growth of total assets	6.4	12.0	6.2	13.6	8.1
Growth of loans	7.1	8.2	9.9	8.0	3.5
Impaired loans/total loans	1.3	0.9	0.9	0.7	0.6
Reserves for impaired loans/impaired loans	-	-	-	-	-
Loan impairment charges/loans	-	-	-	-	-
Debt and Liquidity					
Long-term debt/total equity and reserves	554	629	528	582	584
Liquid assets/total assets	5.6	8.4	5.7	3.3	5.1
Total deposits and debt/total assets	76.0	77.2	77.6	78.2	78.1
Liquid assets/short-term deposits and borrowing	57.2	90.8	69.4	49.1	64.6
Capitalisation					
Equity and reserves/total assets	11.8	10.7	12.9	12.2	11.8
Profit after tax/total equity and reserves	2.8	1.8	3.3	4.6	3.9
Loans/equity and reserves	744.9	793.6	678.1	685.4	675.2

Source: Fitch Ratings, Fitch Solutions, Agence Francaise de Developpement

Agence Francaise de Developpement - Consolidated

(%)	2019	2020	2021	2022	2023
Performance					
Interest revenue on loans/loans	4.4	3.9	3.3	3.9	7.3
Interest expense/borrowings and deposits	3.7	2.8	2.4	3.1	7.2
Net interest income/earning assets	1.3	1.3	1.3	1.3	0.5
Net operating income/net interest income and other operating revenue	41.9	36.7	45.7	45.0	35.6
Net operating income/equity and reserves	5.6	4.5	5.4	5.5	3.8
Net operating income/total assets	0.7	0.5	0.8	0.8	0.5
Credit Portfolio					
Growth of total assets	10.9	14.0	1.8	15.9	8.6
Growth of loans	9.9	11.5	7.1	6.1	7.0
Impaired loans/total loans	3.3	3.1	3.8	6.3	7.7
Reserves for impaired loans/impaired loans	45.6	37.0	24.3	14.3	12.7
Loan impairment charges/loans	-	-	-	-	-
Debt and Liquidity					
Long-term debt/total equity and reserves	4.7	5.6	4.5	4.4	4.7
Liquid assets/total assets	6.3	8.8	6.4	3.8	5.5
Total deposits and debt/total assets	72.5	74.5	74.5	69.4	72.7
Liquid assets/short-term deposits and borrowing	63.3	96.0	75.5	39.3	50.6
Capitalization					
Equity and reserves/total assets	13.3	11.6	14.6	13.7	13.2
Profit after tax/total equity and reserves	2.9	0.3	4.0	5.5	3.3
Loans/equity and reserves	5.9	6.7	5.5	5.4	5.5

Source: Fitch Ratings, Fitch Solutions, AFD

SOLICITATION & PARTICIPATION STATUS

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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