Creditreform Bank Rating

Agence Française de Développement (Group)

Creditreform Rating

Rating Object	Rating Information			
Agence Française de Développement (Group)	Long Term Issuer Rating / Outlook: **AA / negative**		Short Term: **L1**	Type: Update unsolicited
Creditreform ID: 775665599	Rating of Bank Capital and Unsecured Debt Instruments:			
Incorporation: 1941	Preferred Senior Unsecured: **AA**	Non-Preferred Senior Unsecured: **-**	Tier 2: **-**	Additional Tier 1: **-**
(Main-) Industry: Banks	Rating Date:	**25 November 2020**		
Management: Rémy Rioux (CEO), Philippe Bauduin (Deputy CEO)	Monitoring until:	withdrawal of the rating		
	Rating Methodology:	CRA “Bank Ratings v.2.0” CRA “Rating of Bank Capital and Unsecured Debt Instruments v.2.0” CRA “Government-Related Banks v.2.0” CRA “Environmental, Social and Governance Score for Banks v.1.0” CRA “Rating Criteria and Definitions v.1.3”		
	Rating History:	www.creditreform-rating.de		

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Key Rating Driver

Strengths

\+ High Probability of support by the French Government

\+ EPIC status, immune to private-sector bankruptcy laws; by law the French State has ultimate responsibility for AFD’s solvency

\+ Strategic importance through implementation of French development aid policy

\+ High capitalization, low CIR

Weaknesses

\- Loss of LCR classification by changing its legal status from credit institution to financial company; potential ramifications for existing and future investors

\- Dependent on subsidies to generate positive net income

Opportunities / Threats

\+ Contributor to the French State’s development aid policy

+/- Dependent on the Sovereign rating of the French Republic

\- Relatively high NPL figures and very high problem loan ratio

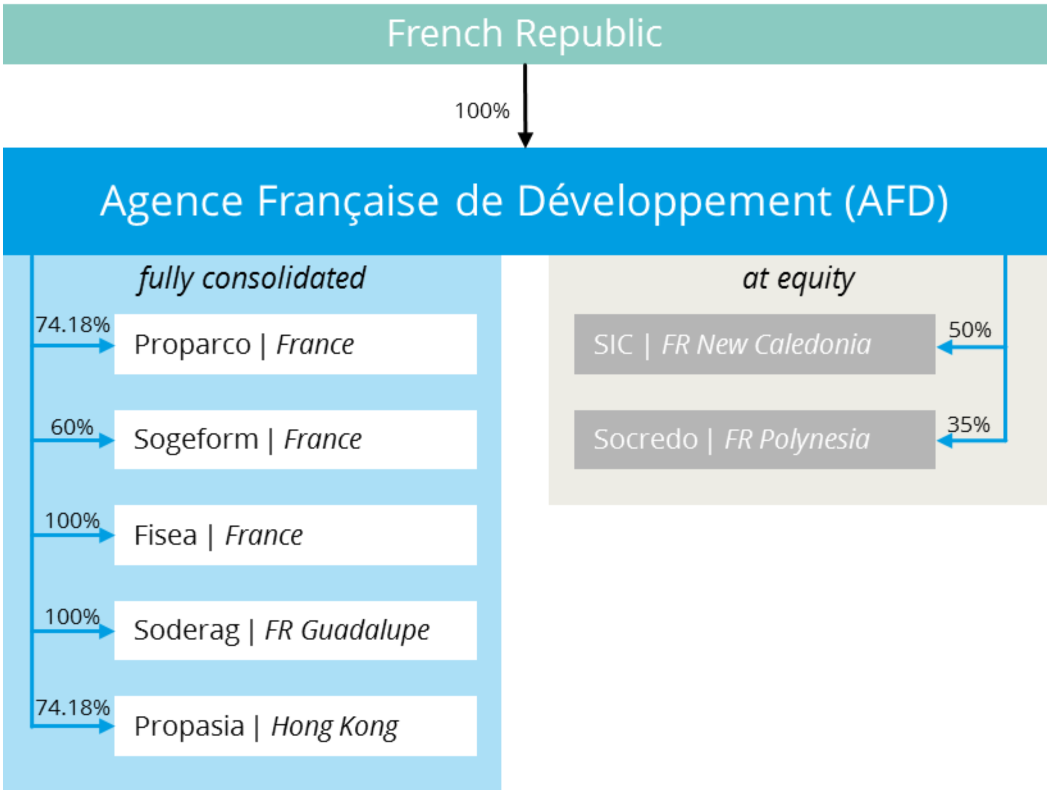
Company Overview

Agence Française de Développement (in the following AFD) is a public development bank in France. Its role is to carry out financial operations, which contribute to the implementation of the French State's development aid policy. The aim is to fight poverty and promote sustainable development, mainly in developing parts of the world. It was founded in 1941 by Charles de Gaulle with the aim to provide Free France with a financial institution to act as treasury, central bank and development bank. Over the years, the bank became a central fund for France's overseas territories and ultimately transformed into a development bank with a focus on project financing that is operating through field offices in over 100 countries. AFD assists in, monitors and finances more than 2,500 development projects. These projects encompass sectors such as energy, healthcare, biodiversity, water, digital technology, professional training, among others.

The AFD has a dual status in France, being both a French public undertaking (EPIC: *Etablissement Public à Caractère Industriel et Commercial*) as well as a financial company (*Société de Financement*) regulated by the French national banking authority (ACPR). EPICs are legal entities governed by public law, which have a distinct legal personality from the state, financial independence and certain special powers, such as performing one or more public service tasks. The status entails a number of legal consequences, such as the inapplicability of insolvency and bankruptcy procedures under ordinary law.

The AFD is wholly owned by the French State. The consolidation scope of the bank consists of eight legal entities, five of which are wholly consolidated. Proparco promotes development projects, acquires equity stakes and grants loans in regions AFD is mandated to operate in. Sogeform provides partial guarantees for credit institutions in French overseas departments and collectivities. Fisea promotes the growth of small and medium enterprises (SMEs) in Africa. Soderag grants loans and acquires equity stakes in the Antilles and Guiana region. Propasia creates a regional investment platform.

Chart 1: Consolidation Scope of AFD as of 2019 | Source: Registration Document 2019



AFD's response to the COVID-19 crisis since March 2020 has been to translate the French Government's commitments to put French official development assistance into action. The "Santé en commun" initiative was approved in early April as a response to the immediated economic and social consequences of COVID-19, mainly benefitting countries in Africa and the Middle East. The goal was to support local institutions in detection of the epidemic, financing the response plans and to lend to public actors for a sustainable and resilient economy. Among other measures, there was suspension of debt repayment, general support for weakened economies, support of NGOs and the "outre-mer en commun" program to support French Overseas Departments and Collectivities. In addition, AFD initiated discussions with other development actors worldwide.

Business Development

Profitability

After a stark decline in net profit in the previous year, the bank posted a strong rebound of profits in 2019 of €182.1m, up €44.5m (+32.4%). This was mainly due to the strong increase in the operating result, which, however, could not be limited to one factor. Net Interest Income, Net Fee and Commission Income, and Net Trading and Securities Income all rose sharply. Relatively speaking, net interest income rose the least with +12.8% (+€44.4m), followed by net fee & commission income with +43.5% (+€43.0m) and net trading income with +€88.3m, after a loss in the previous year. Gains/losses measured at FVTPL and from hedge accounting made the biggest difference compared to the previous year. As in previous years, AFD received subsidies from the French government, in 2019 about €220.4m compared to €199.1m in 2018. Overall, the operating income increased substantially by €184.0m to €843.4m (+27.9%). Operating Expense also increased significantly by €55.4m (+12.7%) driven by Depreciation and Amortization and Personnel Expense. The bottom line was an Operating Result of €349.9m, an increase of €128.6m (+58.1%). Risk costs again rose sharply by more than double to €149.4m. Net profit was €182.1m, an increase of €44.5m (+32.4%). As in the previous year, without the subsidies the net profit would have been negative.

Net income in the first half of 2020 was reported as -€55m, after a profit of €90m in the first half of 2019, mainly due to a significant fall in the operating income, mostly through net losses on financial instruments measured at FVTPL, which recorded a loss of about €122.5m vs a gain of €26.6m in the previous half year. Cost of risk was higher, but not significantly so.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	311.696	352.795	346.760	+12,8	391.171
Net Fee & Commission Income	75.415	85.918	98.930	+43,5	141.945
Net Insurance Income	-	-	-	-	-
Net Trading Income	142.810	125.013	-47.195	> +100	41.140
Equity Accounted Results	7.838	4.596	4.515	< -100	-1.584
Dividends from Equity Instruments	-	-	21.450	+52,0	32.605
Other Income	219.298	229.794	234.948	+1,4	238.157
Operating Income	**757.057**	**798.116**	**659.408**	**+27,9**	**843.434**
Expenses (€000)					
Depreciation and Amortisation	17.948	20.490	22.564	> +100	47.581
Personnel Expense	209.433	235.483	260.752	+13,1	294.922
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	9.580	9.852	-3.183	< -100	426
Other Expense	130.633	172.578	157.995	-4,7	150.640
Operating Expense	**367.594**	**438.403**	**438.128**	**+12,7**	**493.569**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**389.463**	**359.713**	**221.280**	**+58,1**	**349.865**
Asset Writedowns	97.911	12.279	70.453	> +100	149.397
Net Income (€000)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**291.552**	**347.434**	**150.827**	**+32,9**	**200.468**
Income Tax Expense	25.474	15.075	13.227	+38,7	18.350
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	**266.078**	**332.359**	**137.600**	**+32,4**	**182.118**
Attributable to minority interest (non-controlling interest)	19.878	19.554	22.374	-56,7	9.679
Attributable to owners of the parent	246.200	312.805	115.225	+49,7	172.439

The significant improvement in the net profit and operating result is also reflected in AFD's earnings figures. The cost income ratio (CIR), for example, improved by almost eight percentage points to 58.5%, while key figures based on net profit increased accordingly by between 20% and 30%. For example, the return on equity rose by almost 30% and the return on assets by close to 20%.

A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	48,56	54,93	66,44	-7,92	58,52
Cost Income Ratio ex. Trading (CIRex)	59,84	65,13	62,00	-0,49	61,52
Return on Assets (ROA)	0,70	0,84	0,32	+0,06	0,38
Return on Equity (ROE)	4,57	5,45	2,22	+0,67	2,89
Return on Assets before Taxes (ROAbT)	0,77	0,87	0,35	+0,07	0,42
Return on Equity before Taxes (ROEbT)	5,01	5,70	2,43	+0,74	3,18
Return on Risk-Weighted Assets (RORWA)	-	-	0,35	+0,06	0,41
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-	-	0,39	+0,06	0,45
Net Interest Margin (NIM)	1,24	1,23	0,71	+0,22	0,94
Pre-Impairment Operating Profit / Assets	1,03	0,91	0,52	+0,22	0,74
Cost of Funds (COF)	3,75	3,25	3,40	-0,03	3,37

Change in %Points

Asset Situation and Asset Quality

Total assets increased particularly strongly in the 2019 financial year by more than 10% (+€4.69bn) compared to the previous year. Net loans to customers and banks increased by almost €3.3bn, making this the main increase. 34% of approvals in 2019 were in the area of "Infrastructure and urban development", and a further 17% were in "Business, Industry and Trade". Another 30% or so was allocated to agriculture, drainage, education, environment and natural resources, among others.

Approvals amounted to over €4bn in the first half of 2020, up more than €0.9bn from the first half 2019. Disbursements also increased by over €1.3bn to €3.4bn, due to the growth in AFD’s commitments and an increasing number of projects being executed generally and disbursement of sovereign loans specifically.

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	173.209	1.016.778	1.399.405	-10,0	1.259.133
Net Loans to Banks	6.834.178	6.613.638	7.122.024	+13,5	8.080.094
Net Loans to Customers	24.219.887	25.437.510	26.485.764	+8,8	28.822.617
Total Securities	2.854.341	3.827.654	4.978.264	+7,0	5.328.130
Total Derivative Assets	2.508.280	1.827.580	2.025.840	+33,5	2.703.875
Financial Assets	**36.589.895**	**38.723.160**	**42.011.296**	**+10,0**	**46.193.849**
Equity Accounted Investments	165.982	146.156	150.105	-2,2	146.753
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	218.925	226.012	234.081	+30,3	304.898
Tax Assets	23.079	22.683	20.518	-17,7	16.889
Total Other Assets	751.497	599.443	452.409	+97,3	892.638
Total Assets	**37.749.378**	**39.717.454**	**42.868.409**	**+10,9**	**47.555.027**

Asset quality deteriorated slightly but steadily over the period under review. The NPL ratio was 3.8%, compared to 3.1% in the previous year. Stage 2 loans could not be directly allocated to customers, but problem loan exposures accounted for more than 20% of the total loan portfolio (including banks), which is a very high figure, but is no longer conspicuous when considering the business purpose. Provisions accounted for almost 60% of NPL exposure. The risk costs in relation to RWA were comparatively low overall. Risk-weighted assets increased by about 2.6% percentage points to a very high, but not surprisingly so given the business, 93.7%.

The NPL ratio increased further in the first half of 2020 to 4.4%, mainly due to downgrades of doubtful non-sovereign loans in foreign countries, specifically for counterparties in Argentina.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

Figure 4: Development of asset quality| Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	64,16	64,05	61,78	-1,17	60,61
Risk-weighted Assets/ Assets	-	-	91,16	+2,57	93,73
NPLs*/ Net Loans to Customers	2,77	2,72	3,13	+0,71	3,84
NPLs*/ Risk-weighted Assets	-	-	2,12	+0,36	2,48
Potential Problem Loans**/ Net Loans to Customers	-	-	-	-	-
Reserves/ NPLs*	107,93	101,51	69,52	-10,09	59,43
Reserves/ Net Loans	2,99	2,76	2,18	+0,11	2,28
Net Write-offs/ Net Loans	0,40	0,05	0,27	+0,25	0,52
Net Write-offs/ Risk-weighted Assets	-	-	0,18	+0,15	0,34
Net Write-offs/ Total Assets	0,26	0,03	0,16	+0,15	0,31
Level 3 Assets/ Total Assets	3,47	3,49	5,99	+0,33	6,32
Change in %Points					

* NPLs are represented from 2017 onwards by Stage 3 Loans.
** Potential Problem Loans are Stage 2 Loans where available.

Refinancing and Capital Quality

The bank refinances itself mainly through debt securities, which account for 75% of total assets. A similar increase in the overall increase was due to bonds in 2019, with total issues amounting to €6.4bn in 2019, with maturities of between 2 - 15.5 years. Prior to the COVID-19 crisis, up to €9bn of issues and loans were planned for 2020. Shareholders' equity increased only moderately by 1.8% or €113m due to the low net profit, the dividend for 2018 and gains or losses directly recorded in equity.

Access to liquidity was severely disrupted in March, until central banks took measures to reestablish liquidity among market players. AFD issued five EMTN issues in the first half of 2020 for a total volume of €6.3bn. The decline of equity to €6.22bn was predominantly due to the negative half-year result as well as losses directly recognized in other comprehensive income.

A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	4.506	17.136	11.779	-19,3	9.501
Total Deposits from Customers	1.937	2.187	1.690	-2,0	1.657
Total Debt	27.369.445	29.613.863	32.293.282	+10,8	35.769.783
Derivative Liabilities	2.146.218	1.323.477	1.279.499	+44,3	1.845.815
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-
Total Financial Liabilities	**29.522.106**	**30.956.663**	**33.586.250**	**+12,0**	**37.626.756**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	7.168	6.345	7.099	+57,1	11.156
Provisions	801.344	849.211	1.001.700	+15,0	1.151.884
Total Other Liabilities	1.602.579	1.811.741	2.076.824	+18,2	2.455.403
Total Liabilities	**31.933.197**	**33.623.960**	**36.671.873**	**+12,5**	**41.245.199**
Total Equity	**5.816.181**	**6.093.494**	**6.196.536**	**+1,8**	**6.309.828**
Total Liabilities and Equity	**37.749.378**	**39.717.454**	**42.868.409**	**+10,9**	**47.555.027**

In view of the only moderate increase in equity combined with a disproportionate increase in RWA, regulatory capital ratios decreased significantly year-on-year from 15.7% to 13.9% in the case of CET1. The balance sheet equity ratio also decreased in view of dynamic business with simultaneous low equity growth, but is still very high due to the high RWA and thus capital requirements. The bank's capital situation is therefor very good. Since the conversion of AFD into a "financing company", AFD is no longer subject to the Leverage ratio and has not reported this since 2017.

With further decline of equity and the increase in balance sheet size, the equity ratio in the first half of 2020 declined steeply to less than 12%. While still very comfortable, this dent is noticeable and continues the trend of the last years, even without the COVID-19 crisis.

A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	15,41	15,34	14,45	-1,19	13,27
Leverage Ratio	13,81	-	-	-	-
Phased-in: Common Equity Tier 1 Ratio (CET1)	15,22	14,57	15,69	-	-
Phased-in: Tier 1 Ratio (CET1 + AT1)	16,82	16,44	17,84	-	-
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	16,82	16,44	18,37	-	-
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	-	-	-	-	13,86
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	-	-	-	-	15,74
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	-	-	-	-	16,75
SREP Capital Requirements	5,13	5,75	7,43	+0,27	7,70
MREL / TLAC Ratio	-	-	-	-	-
Change in %Points					

Liquidity

Traditional liquidity measures are non-applicable for AFD due to it's dual status as financial company and EPIC, and as such not being subject to ECB supervision. As such, liquidity ratios such as LCR need not be met anymore. However, AFD complies with the LCR without having to do so, with a targeted ratio of 110%.

Environmental, Social and Governance (ESG) Score Card

AFD has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated neutral, as no major positive or negative drivers were identified.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated very positive due to a very high amount of direct and indirect Green Financing (50% of approvals in 2019) as well as significant amount of Green Bonds issued. Corporate Behaviour is rated positive due lack of misconduct in recent years and non-existing material governmental, legal or arbitration proceedings.

ESG Score
3,6 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	3	(+ +)
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria.	2	(-)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	4	( )
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Conclusion

The rating of Agence Française de Développement (Group) is predominantly affected by our opinion that there is almost certain likelihood of support of the French Republic (CRA Rating: AA (negative) on 29 May 2020) in the event of financial distress. This owes to the fact that the bank benefits from its status as EPIC, which is not subject to private-sector bankruptcy laws and which by law of the French State has ultimate responsibility for AFD's solvency.

After the slump in profits last year, AFD is showing signs of recovery in the 2019 financial year. Although risk costs rose sharply, income from all types of income rose even more. The costs also increased, but not to the same extent. The bottom line was a one-third increase in net profit for the year. Business also grew dynamically in 2019, with net loans to customers and banks increasing by more than 10% year-on-year, refinanced by a roughly equivalent increase in debt securities. In addition to higher RWA, the slight increase in equity led to a decline in regulatory capital ratios, although overall capitalization can still be regarded as very good.

Due to COVID-19, drastic measures had to be taken all over the world. The French government, as did many others around the world, applied strong state measures to combat the pandemic itself as well as the economic and social problems. AFD mobilized to provide proper responses to the crisis and translated the French government's commitments to support priority countries for French official development assistance into action, such as the implementation of payment moratoria for least developed countries (LDC). For AFD, credit risk assessments had to be exercised to recognize expected credit losses in connection with IFRS 9, as well as revaluation of the equity portfolio for FV instruments, among other dedicated measures. As of the date of publication, the world goes through a second wave of the COVID-19 pandemic, but vaccine hopes hint at an end of the epidemic in the medium term.

Outlook

We revised the outlook of AFD's long-term issuer rating and its bank capital and debt instruments to "negative" from "stable". The outlook was changed as CRA revised the outlook on the Long-term sovereign rating of the French Republic (Rating Renewal of 29 May 2020). Drivers of this change are predominantly the challenges brought forward by the COVID-19 crisis. For details, please refer to the rating report of the French Republic found on our website.

Scenario Analysis

Best-case scenario: AA

Worst-case scenario: BB+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach an 'AA' rating in the "best case" scenario and a 'BB+' rating in the "worst case" scenario.

The "best case" scenario is upward-bounded by the rating of the French Republic. In a "worst case scenario", a change of the bank's EPIC status or other changes negatively impacting the ability of the French State to support AFD might lead to a severe downgrade of the rating. CRA views this possibility as very unlikely. More commonly, a downgrade of the rating of the French Republic will most likely lead to downgrade of AFD, an upgrade of the rating will also likely lead to an upgrade of AFD.

The ratings of bank capital and (preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **AA / negative / L1**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **AA**
Non-Preferred Senior Unsecured Debt (NPS): **-**
Tier 2 (T2): **-**
Additional Tier 1 (AT1): **-**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 8: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	31.08.2018	AA / stable / L1
Rating Update	09.12.2019	AA / stable / L1
Monitoring	29.05.2020	AA / watch unknown / L1
Rating Update	25.11.2020	AA / negative / L1
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	31.08.2018	AA / - / -
PSU / NPS / T2 / AT1	09.12.2019	AA / - / - / -
PSU / NPS / T2 / AT1	29.05.2020	AA (watch unknown) / - / - / -
PSU / NPS / T2 / AT1	25.11.2020	AA / - / - / -

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 47 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings as (Version 2.0), the methodology for the rating of bank capital and unsecured debt instruments (Version 2.0), the methodology for the rating of Government-Related Banks (Version 2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (Version 1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (Version 1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 25 November 2020, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Agence Française de Développement, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Rating Endorsement Status: The rating of Agence Française de Développement was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

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Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

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The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

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