



AGENCE FRANÇAISE DE DEVELOPPEMENT
€300,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes
Eligible as Tier 1 Regulatory Capital
Issue Price: 100 per cent.

The €300,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes (the "**Notes**") of Agence Française de Développement (the "**Issuer**" or "**AFD**") will be issued outside the Republic of France and, subject as provided in "Terms and Conditions of the Notes – Interest and Interest Suspension and - Loss Absorption and Return to Financial Health" below, will bear interest at a fixed rate of 4.605 per cent. per annum from, and including, 22 April 2004 (the "**Issue Date**") to, but excluding, 22 April 2014 payable annually in arrear on 22 April of each year, commencing on 22 April 2005, and thereafter at a floating rate of 1.32 per cent. per annum above the three-month EURIBOR rate payable quarterly in arrear on or about 22 April, 22 July, 22 October and 22 January in each year, commencing on or about 22 July 2014. (See "Terms and Conditions of the Notes – Interest and Interest Suspension" herein).

For so long as the compulsory interest provisions do not apply, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes on any Interest Payment Date (as defined in "Terms and Conditions of the Notes – Definitions" herein), with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure. Any such interest not so paid shall be forfeited by the Noteholders. (See "Terms and Conditions of the Notes – Interest and Interest Suspension" herein). In addition, the Issuer shall be required, in certain circumstances, to reduce all or part of any interest accrued with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Supervisory Event, and the then principal amount of the Notes following a Supervisory Event. The amount of any such reduction of interest and principal may, in certain circumstances, be reinstated. (See "Terms and Conditions of the Notes – Loss Absorption and Return to Financial Health" herein).

The Notes are undated and have no final maturity. The Notes may, at the option of the Issuer but subject to the prior approval of the *Secrétariat général* of the *Commission bancaire*, be redeemed (in whole but not in part) on 22 April 2014 and on any Interest Payment Date thereafter. The Notes may be, and in certain circumstances, shall be redeemed (in whole but not in part). (See "Terms and Conditions of the Notes – Redemption and Purchase" herein.)

Application has been made to list the Notes on the *Premier Marché* of Euronext Paris S.A. and on the Luxembourg Stock Exchange. The Notes have been assigned a rating of AA by Standard & Poor's Ratings Services and AA+ by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

See "**Investment Considerations**" beginning on page 11 for certain information relevant to an investment in the Notes.



Avertissement de l'AMF

L'Autorité des marchés financiers attire l'attention du public sur les éléments suivants :

- Le titre subordonné de dernier rang, par application contractuelle de l'article L.228-97 du Code de commerce, se distingue de l'obligation ordinaire et du titre subordonné en raison de son tout dernier rang de créance résultant de la clause de subordination.
- Les titres ont été émis pour une durée indéterminée, néanmoins l'émetteur a la faculté, le 22 avril 2014 puis à chaque date de paiement d'intérêts ultérieure, de rembourser la totalité des titres à leur valeur nominale d'origine.
- Les modalités particulières de paiement des intérêts, lequel peut être optionnel ou obligatoire, sont exposées à la condition 4. Tout intérêt optionnel non versé sera définitivement perdu. Par ailleurs, en cas de survenance d'un événement réglementaire ("Supervisory Event" tel que décrit à la condition 1) et jusqu'à la fin de ce dernier, les intérêts optionnels cesseront de courir et d'être dus.
- Les modalités d'absorption des pertes par réduction du montant des intérêts optionnels courus et, si cette réduction était insuffisante, par réduction de la valeur nominale des titres sont exposées à la condition 5.
- Le montant des intérêts, qu'ils soient optionnels ou obligatoires, sera calculé sur la base de la valeur nominale des titres (déterminée, le cas échéant, après absorption des pertes).
- L'observation des commissaires aux comptes de l'AFD relative à la partie 1 de l'annexe expose un changement de méthode comptable lié à la première application du règlement 2002-03 du Comité de réglementation comptable relatif aux traitements comptables des risques de crédit. Cette partie précise d'une part que pour l'établissement des comptes au 30 juin 2003, il n'a pas été identifié d'impact ni sur les capitaux propres ni sur le résultat; et d'autre part, que s'agissant des informations à publier sur le risque de crédit, il a été nécessaire d'adapter les systèmes d'information afin d'être en conformité avec la nouvelle réglementation, des aménagements sont en cours à la date d'arrêté des comptes et doivent permettre de fournir l'information nécessaire pour les comptes publiables au 31 décembre 2003.

Joint Bookrunners

SG CORPORATE & INVESTMENT BANKING

BARCLAYS CAPITAL

Structuring Adviser

Senior Co-Lead Manager
DEUTSCHE BANK

The Notes have been accepted for clearance through Euroclear France, Clearstream Banking, société anonyme ("**Clearstream Banking**") and Euroclear Bank SA/N.V., as operator of the Euroclear System ("**Euroclear**"). The Notes will on the Issue Date be inscribed (*inscription en compte*) in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination and Title" below) including the depositary banks for Euroclear and Clearstream, Luxembourg. The Notes will be issued in bearer form in the denomination of €1,000 each. The Notes will at all times be represented in book entry form (*dématérialisé*) in the books of the Account Holders in compliance with article L.211-4 of the French *Code monétaire et financier*. No physical document of title will be issued in respect of the Notes.

Visa de l'AMF

En application des articles L.412-1 et L.621-8 du Code monétaire et financier, l'Autorité des Marchés Financiers a apposé sur le présent prospectus le visa n°04-289 en date du 16 avril 2004, conformément aux dispositions du règlement COB n° 98-01. Ce document a été établi par l'émetteur et engage la responsabilité de ses signataires. Le visa n'implique ni approbation de l'opportunité de l'opération ni authentification des éléments comptables et financiers présentés. Il a été attribué après examen de la pertinence et de la cohérence de l'information donnée dans la perspective de l'opération proposée aux investisseurs.

A legal notice will be published in the *Bulletin des Annonces légales obligatoires* on 21 April 2004

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the "**Group**") and the Notes which is material in the context of the issue and offering of the Notes, the statements contained in this Offering Circular relating to the Issuer, the Group and the Notes are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue of the Notes, make any information or statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and matters and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

This Offering Circular does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Notes. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions, including the United States, the United Kingdom and the Republic of France, may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and Sale" below.

No person is authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In making an investment decision regarding the Notes, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them (except Société Générale in its capacity as Paris Listing Agent and only to the extent set out under "*Informations relatives à l'admission à la cote d'Euronext Paris S.A.*") as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Notes or their distribution.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

In this Offering Circular, unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union.

In connection with this issue Société Générale (the "Stabilising Agent") or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Agent or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time, must be brought to an end after a limited period and will be carried out in compliance with all applicable laws and regulations.

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SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Terms and Conditions of the Notes”. Prospective investors should also consider carefully, amongst other things, the factors set out under “Investment Considerations”.

Issuer:	Agence Française de Développement (the " Issuer " or " AFD ")
	The Issuer is an autonomous public industrial and commercial institution (<i>établissement public à caractère industriel et commercial</i>) (a public law entity)
Description:	Euro 300,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes Eligible as Tier 1 Regulatory Capital (the " Notes ")
Structuring Adviser:	Société Générale
Joint Bookrunners:	Barclays Bank PLC and Société Générale
Senior Co-Lead Manager:	Deutsche Bank AG London
Amount:	Euro 300,000,000
Issue Price:	100%
Fiscal Agent and Principal Paying Agent in Luxembourg:	Société Générale Bank & Trust S.A.
Paying Agent in Paris:	Société Générale
Method of issue:	The Notes will be issued on a syndicated basis.
Denomination:	Euro 1,000
Maturity:	The Notes are undated perpetual obligations in respect of which there is no fixed redemption date.
Form of the Notes:	The Notes are issued in dematerialised bearer form and title to the Notes will be evidenced in accordance with article L.211-4 of the French <i>Code monétaire et financier</i> by book-entries in the books of Euroclear France which shall credit, upon issue, the accounts of the Account Holders. Transfer of Notes may only be effected through registration of the transfer in such books. No physical document of title will be issued in respect of the Notes.
Status of the Notes:	<p>The Notes are Deeply Subordinated Notes (as defined in Condition 1 of the Terms and Conditions of the Notes) issued pursuant to the provisions of article L. 228-97 of the French <i>Code de Commerce</i>, as amended by law n° 2003-706 on financial security dated 1 August 2003 and as applied <i>mutatis mutandis</i> to the Issuer which is not a <i>société</i> (a company) but an <i>établissement public</i> (a public law entity).</p> <p>The principal and interest of the Notes constitute direct, unconditional, unsecured and lowest ranking subordinated obligations (<i>titres subordonnés de dernier rang</i>) of the Issuer and rank and will rank <i>pari passu</i> among themselves and <i>pari passu</i> with all other present and future Deeply Subordinated Obligations (as defined in Condition 1 of the Terms and Conditions of Notes) of the Issuer, but behind the <i>titres participatifs</i> issued by, and <i>prêts participatifs</i> granted to, the Issuer, and behind the Ordinary Subordinated Obligations and the Unsubordinated Obligations (all as defined in Condition 1 of the Terms and Conditions of the Notes) of or issued by the Issuer. The Notes shall rank in priority to capital funds (<i>dotation en capital</i>) of the Issuer or, following a Change of Status (as defined in Condition 1 of the Terms and Conditions of the Notes), to any classes of share capital securities issued by the Issuer.</p>

	<p>The proceeds of the issue of the Notes will be treated, for regulatory purposes, as Tier 1 Capital (<i>fonds propres de base</i>) within the meaning of Article 2 of <i>Règlement n° 90-02</i> dated 23 February 1990 of the <i>Comité de la Réglementation Bancaire et Financière</i>, as more fully described in Condition 3 of the Terms and Conditions of the Notes.</p>
Negative Pledge:	There will be no negative pledge in respect of the Notes.
Events of Default:	There will be no events of default in respect of the Notes, except, following a Change of Status, in the case of liquidation of the Issuer as more fully described in Condition 9.
Interest:	<p>Each Note bears interest on its then Principal Amount (as defined in Condition 1 of the Terms and Conditions of Notes) at a fixed rate of 4.605 per cent. per annum from (and including) 22 April 2004 to but excluding 22 April 2014, payable annually in arrear on 22 April in each year and thereafter at a floating rate of 1.32 per cent. per annum above the three-month EURIBOR rate from and including 22 April 2014 payable quarterly in arrear on or about 22 April, 22 July, 22 October and 22 January in each year, as more fully described in Condition 4 of the Terms and Conditions of the Notes.</p>
Payment of Interest:	<p>Payment of interest will be compulsory on any Interest Payment Date (as defined in Condition 1 of the Terms and Conditions of the Notes) in relation to which at any time during a period of one year prior to such Interest Payment Date (i) (absent a Change of Status) (a) if the Issuer's last consolidated accounts show a Consolidated Net Income (as defined in Condition 1 of the Terms and Conditions of the Notes) and provided that no Supervisory Event (as defined below) shall have occurred during such period of one year (unless an End of Supervisory Event (as defined below) shall have occurred during the same period), or (b) if the Issuer has made a Contribution (as defined in Condition 1 of the Terms and Conditions of the Notes) to the French State, or (ii) (following a Change of Status), if the Issuer has declared or paid a dividend on its shares or if the Issuer has redeemed, repurchased or acquired any shares, or (iii) (in any case), if the Issuer has made a payment of any nature in respect of any other Deeply Subordinated Obligations or any other Obligations (all as defined in Condition 1 of the Terms and Conditions of the Notes) of the Issuer that rank <i>pari passu</i> with the Notes or if it has redeemed, repurchased or otherwise acquired any such other Deeply Subordinated Obligations or any such other Obligations of the Issuer that rank <i>pari passu</i> with the Notes as more fully described in Condition 4 of the Terms and Conditions.</p> <p>On any other Interest Payment Date (i.e. on any Optional Interest Payment Date), the Issuer may, at its option and following a decision of its Supervisory Board (or, following a Change of Status, the management board), elect not to pay interest in respect of the Notes accrued to that date, with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure. Any interest not paid on such date shall be forfeited and no longer be due and payable by the Issuer.</p> <p>In the event that a Supervisory Event has occurred during the Interest Period immediately preceding an Optional Interest Payment Date (as defined in Condition 1 of the Terms and Conditions of the Notes), the payment of interest accrued in respect of the period from the immediately preceding Interest Payment Date to the date of the occurrence of a Supervisory Event (A Interest) shall be suspended. The amount of A Interest so suspended may be reduced in accordance with the provisions set out in "<i>Loss Absorption</i>" below. No interest</p>

	<p>on the Notes shall accrue nor be payable by the Issuer with respect to the remaining period until the End of the Supervisory Event (as defined below).</p> <p>In respect of any Optional Interest Payment Date which occurs on or after the End of Supervisory Event, interest on each Note will recommence accruing from the date of End of Supervisory Event to the next succeeding Interest Payment Date and may be paid on the next succeeding Optional Interest Payment Date, but shall be forfeited if not paid.</p> <p>Any A Interest (to the extent not reduced) may be paid on the first Optional Interest Payment Date falling on or after the date of End of Supervisory Event, but shall be forfeited if not paid.</p>
Supervisory Event:	<p>Supervisory Event means the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates falls below the minimum percentage required by the Applicable Banking Regulations (as defined in Condition 1 of the Terms and Conditions of the Notes) or below any other future minimum regulatory threshold applicable to the Issuer, or (ii) the notification by the <i>Secrétariat général de la Commission bancaire</i> ("SGCB"), in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the foregoing clause (i) would apply in the near term.</p>
End of Supervisory Event:	<p>End of Supervisory Event means, following a Supervisory Event, the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations or with any other future minimum regulatory threshold applicable to the Issuer, or, if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event, (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the circumstances which resulted in the Supervisory Event have ended.</p>
Loss Absorption:	<p>If the occurrence of a Supervisory Event requires a strengthening of the regulatory capital and the strengthening measures undertaken by the Issuer are insufficient to remedy the Supervisory Event and to set off the amount of the Consolidated Net Loss (as defined in Condition 1 of the Terms and Conditions of the Notes) (as set out in the latest consolidated accounts of the Issuer (whether audited annual or unaudited semi-annual) in relation to the previous Interim Period), the Supervisory Board (or the management board in case of Change of Status) will implement in certain conditions a reduction of the amount of A Interest and, if necessary, of the then Principal Amount of the Notes. Notwithstanding any other provision of the Terms and Conditions of the Notes, the Principal Amount (as defined in Condition 1 of the Terms and Conditions of the Notes) of each Note shall never be reduced to an amount lower than one cent. See Condition 5 of the Terms and Conditions of the Notes.</p>
Reinstatement:	<p>If a Consolidated Net Income is recorded for at least two consecutive financial years following the End of Supervisory Event, the Issuer shall increase the then Principal Amount of the Notes (a Reinstatement) to the extent any such Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal amount (all as defined in Condition 1 of the Terms and Conditions of the Notes)) does not trigger the occurrence of a Supervisory Event as more fully described in Condition 5(b) of the Terms and Conditions of the Notes. For the avoidance of doubt, the total amount of the</p>

	<p>Consolidated Net Income shall be used to make the Reinstatement, to the extent such Reinstatement does not exceed the amount of the Consolidated Net Income and any such Reinstatement does not trigger the occurrence of a Supervisory Event.</p> <p>Following a Reinstatement the Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes.</p> <p>However, in any event, whether or not a Return of Financial Health (as defined in Condition 5(b) of the Terms and Conditions of the Notes) has occurred, the Issuer shall increase the then Principal Amount of the Notes up to the Original Principal Amount prior to (i) (absent a Change of Status) making a Contribution to the French State or (ii) (following a Change of Status), any declaration or payment of a dividend on the shares of the Issuer or any redemption, repurchase or acquisition of any shares of the Issuer, (iii) (whether before or after a Change of Status) any payment of any nature (other than a payment of interest on a Compulsory Interest Payment Date) by the Issuer on other Deeply Subordinated Obligations or Obligations that rank <i>pari passu</i> with the Notes or any optional redemption or repurchase by the Issuer of the Notes or any other Deeply Subordinated Obligations or Obligations that rank <i>pari passu</i> with the Notes as more fully described in Condition 5(b) of the Terms and Conditions of the Notes.</p> <p>In all cases, any Reinstatement shall not exceed the amount of the latest Consolidated Net Income of the Issuer.</p>
Early Redemption:	<p>The Notes are undated perpetual obligations in respect of which there is no fixed redemption date. However, the Notes may be redeemed (in whole but not in part) on 22 April 2014 and on any Interest Payment Date thereafter, at the option of the Issuer.</p> <p>The Issuer will also have the right to redeem the Notes (in whole but not in part), for certain tax and regulatory reasons, or if the Issuer is no longer a Credit Institution (as defined in Condition 1 of the Terms and Conditions of the Notes). In certain circumstances for tax reasons, the Issuer will be required to redeem the Notes, as more fully described in Condition 6(b) of the Terms and Conditions.</p> <p>If the Issuer has been dissolved and its rights and obligations (including the Notes) have been transferred directly to the French State, the French State will have the right to redeem the Notes.</p> <p>Early redemption is subject to the prior approval of the SGCB except when the Issuer is no longer a Credit Institution or when the rights and obligations (including the Notes) have been transferred directly to the French State.</p>
Taxation:	<p>The Notes will, upon issue, benefit from an exemption from deduction of tax at source. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts.</p> <p>See Condition 8 of the Terms and Conditions of the Notes.</p>
Representation of Noteholders:	<p>The Noteholders will be grouped automatically for the defence of their respective common interests in a <i>masse</i> governed by the provisions of the French <i>Code de commerce</i> and by French <i>décret</i> no. 67-236 of 23 March, 1967 subject to certain exceptions and provisions. See Condition 10 of the Terms and Conditions of the Notes.</p>

Use of proceeds:	The net proceeds of the issue of the Notes amount to Euro 300,000,000 and will be used by the Issuer to strengthen its equity in order to cover, in terms of its control ratio for major risks, the increase of its loan activity, in line with guidelines set out by the French government.
Initial Delivery of the Notes:	At least one Paris business day before the issue date of the Notes, a <i>Lettre Comptable</i> relating to the Notes shall be deposited with Euroclear France as central depository.
Clearing Systems:	The Notes have been accepted for clearance through Euroclear France and Clearstream, Luxembourg and Euroclear.
Listings:	Application has been made to list the Notes on the <i>Premier Marché</i> of Euronext Paris S.A. and the Luxembourg Stock Exchange.
Selling Restrictions:	There are restrictions on the sale of the Notes and the distribution of offering material in various jurisdictions.
Ratings:	The Notes have been assigned a rating of AA by Standard & Poor's Ratings Services and AA+ by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.
Governing Law:	French law

INCORPORATION BY REFERENCE

The audited non-consolidated and consolidated financial statements of the Issuer as at, and for the years ended, 31 December 2001 and 2002 and the related notes thereto, and the unaudited consolidated financial statements of the Issuer as at, and for the six month period ended, 30 June 2003 and the related notes thereto, are incorporated by reference in this Offering Circular. Copies of such financial statements and the *Document de Référence*/Financial Report relating to the Issuer filed with the *Commission des opérations de bourse* on 14 May 2003 under no. D.03-0697 may be obtained, free of charge, at the specified office of each of the Paying Agents set out below during normal business hours so long as any of the Notes is outstanding, as described in "General Information" below.

For Euronext Paris S.A. listing purposes, the *Document de Référence*/Financial Report relating to the Issuer filed with the *Commission des opérations de bourse* on 14 May 2003 under no. D.03-0697, incorporating the audited non-consolidated and consolidated financial statements of the Issuer as at, and for the years ended, 31 December 2001 and 2002 and the related notes thereto, is the sole document incorporated herein by reference. Copies of the *Document de Référence*/Financial Report are available without charge on request at the registered office of the Issuer.

INVESTMENT CONSIDERATIONS

The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Offering Circular, including in particular the following investment considerations detailed below. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Offering Circular. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning where used below.

The Notes are Deeply Subordinated Obligations

The Issuer's obligations under the Notes are deeply subordinated obligations of the Issuer and are the most junior debt instruments of the Issuer, subordinated to and ranking behind the claims of all other unsubordinated and subordinated creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer. The Issuer's obligations under the Notes rank in priority only to the capital funds (*dotation en capital*) of the Issuer.

Undated Securities

The Notes are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in "Terms and Conditions of the Notes – Redemption and Purchase").

The Noteholders have no right to require redemption of the Notes, *except (in the case of a change of the status of the Issuer) if a judgment is issued for the judicial liquidation (liquidation judiciaire) of the Issuer or if the Issuer is liquidated for any other reason.* See "Terms and Conditions of the Notes - Event of Default" and "Investment Considerations - Change of Status" below.

Status of the Issuer

The Issuer is an *établissement public à caractère industriel et commercial* ("**EPIC**") established under French law with legal personality and with financial autonomy. It is currently wholly-owned and controlled by the French State. Accordingly, the Issuer is not subject to insolvency or judicial liquidation but can be dissolved by the French State. The dissolution of the Issuer would require a law or a decree which could either transfer the rights and obligations (including the Notes) of the Issuer to another EPIC or similar public law entity or to the French State. In addition, the status of the Issuer could be changed by law into a *société* (company) or other private law entity.

No attachment or enforcement proceedings against the Issuer's assets and properties

While the Issuer is not immune from legal proceedings, its assets and properties cannot be subject to any attachment or other enforcement proceedings in the Republic of France under present French administrative law.

1980 Law

As with all EPICs, the Issuer is subject to the provisions of law no.80-539 dated 16 July 1980 (as amended) relating to the execution of judgements on public entities (*relative aux astreintes prononcées en matière administrative et à l'exécution des jugements par les personnes morales de droit public*) (the "**1980 Law**"). In the event that an EPIC defaults on an obligation (whether that obligation be an unsubordinated, an ordinary subordinated or a deeply subordinated obligation of that EPIC) and when the creditor has obtained a final judgment against such EPIC, the 1980 Law assigns responsibility to the relevant supervisory authority which must either provide the EPIC with new resources or automatically approve the sums for which the EPIC is held liable by court order.

Change of Status

A change in status of the Issuer could result in the Issuer becoming an entity subject to general French Insolvency Laws in which event, if any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason, the rights of payment of the Noteholders under the Notes shall be subordinated to the payment in full of other unsubordinated creditors, subordinated creditors ranking, or expressed to rank, in priority to the Notes, lenders in relation to *prêts participatifs* granted to the Issuer and holders of any *titres participatifs* issued by it. The Notes shall rank in priority to any payments to holders of any classes of share capital securities issued by the Issuer. In the event that the Issuer has insufficient assets to satisfy all of its claims in such liquidation, the Noteholders may receive less than the Original Principal Amount (see "Terms and Conditions of the Notes – Definitions") of the Notes and may incur a loss of their entire investment. At the date of this Offering Circular no such change of status is proposed or even contemplated.

Restrictions on Payment and Amounts of Payment

The Notes are being issued with the intention and purpose that they qualify as Tier 1 capital of the Issuer for capital adequacy regulatory purposes. See "Information relating to Solvency Ratios and Issues of Securities Qualifying as Tier 1" below. Such qualification depends upon a number of conditions being satisfied and which are reflected in the terms and conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Notes may be restricted and, in certain cases, forfeited and the amount of interest and principal may be reduced as follows:

Interest

For so long as the compulsory interest provisions do not apply, the Issuer may elect, and in certain circumstances shall be required, not to pay interest falling due on the Notes on any Interest Payment Date, with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure. Any interest not so paid on any such Interest Payment Date shall be forfeited and shall therefore no longer be due and payable by the Issuer, save as otherwise provided. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

In addition, in certain circumstances, payment of interest will be suspended automatically upon the occurrence of a Supervisory Event. See "Terms and Conditions of the Notes – Interest and Interest Suspension".

Interest, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Supervisory Event, may be reduced, as required, on one or more occasions following a Supervisory Event. See "Terms and Conditions of the Notes – Loss Absorption and Return to Financial Health".

Principal

The then principal amount of the Notes may be reduced, as required, on one or more occasions following a Supervisory Event. See "Terms and Conditions of the Notes – Loss Absorption and Return to Financial Health".

No Limitation on Issuing Debt

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including suspension of interest and, if, following a change of status of the Issuer, the Issuer were liquidated (whether voluntarily or involuntarily), loss by Noteholders of their entire investment.

Redemption Risk

The Notes may be redeemed in whole (but not in part), at the option of the Issuer, (i) on 22 April 2014 or on any Interest Payment Date thereafter, (ii) at any time for certain tax reasons, (iii) at any time upon the occurrence of certain regulatory events, (iv) on any interest payment date if the Issuer is no longer a Credit Institution and (v) at any time if the Issuer is dissolved and all, or substantially all, of its rights and obligations (including, in all cases, all the Notes) have been transferred to the French State. See "Terms and Conditions of the Notes – Redemption and Purchase".

In certain circumstances for tax reasons (see "Terms and Conditions of the Notes – Redemption and Purchase"), the Issuer will be required to redeem the Notes in whole (but not in part).

In each case, (i) except in the case where the Issuer has been dissolved and all, or substantially all, of its rights and obligations (including, in all cases, all the Notes) have been transferred directly to the French State) and (ii) unless the Issuer is no longer a Credit Institution, early redemption of the Notes is subject to the prior approval of the *Secrétariat général* of the *Commission bancaire*.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the €300,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes (the "**Notes**") of Agence Française de Développement (the "**Issuer**" or "**AFD**") has been authorised by a resolution of the Supervisory Board (*conseil de surveillance*) of AFD passed on 8 January 2004. The Notes are issued with the benefit of a fiscal agency agreement (the "**Fiscal Agency Agreement**") dated 20 April 2004 between the Issuer, Société Générale Bank & Trust S.A., as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent), the other paying agents named therein (together, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time) and Société Générale, as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being as Calculation Agent). Reference below to the "**Agents**" shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1 Definitions

For the purposes of these Conditions:

"**Accrued Interest**" means any interest accrued and due.

"**A Interest**" is only applicable with respect to an Interest Period whose Interest Payment Date is an Optional Interest Payment Date and means, with respect to the period from (and including) the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Issue Date) to (but excluding) the date of the occurrence of a Supervisory Event, the amount of interest accrued on the Notes during such period as calculated by the Calculation Agent in accordance with the provisions of Condition 4.

"**Applicable Banking Regulations**" means, at any time, the capital adequacy regulations then in effect of the regulatory authority in France having authority to adopt capital adequacy regulations with respect to the Issuer.

"**Change of Status**" means any transformation of the legal status of the Issuer into an entity subject to the provisions of Articles L. 620-1 *et seq.* of the French *Code de commerce* as amended or replaced from time to time ("**Insolvency Laws**") or any reorganisation of the Issuer involving its dissolution and the simultaneous transfer of all, or substantially all, of its assets and liabilities (including the Notes) to an entity subject to Insolvency Laws.

Reader please note that any provisions of these Conditions applicable following a Change of Status of the Issuer appear in italics in these Conditions. Latin and French words, as is customary, also appear in italics.

"**Compulsory Interest Payment Date**" means each Interest Payment Date in relation to which at any time during a period of one year prior to such Interest Payment Date:

- (a) absent a Change of Status, the Issuer's latest consolidated accounts (whether audited annual or unaudited semi-annual) show:
 - (i) a Consolidated Net Income (provided that no Supervisory Event shall have occurred during such period of one year (unless an End of Supervisory Event shall have occurred during such same period)); or
 - (ii) that the Issuer has made a Contribution to the French State approved by the Supervisory Board; or

- (b) *following a Change of Status, the Issuer has:*
 - (i) *declared or paid a dividend (whether in cash, shares or any other form), or more generally made a payment of any nature, on any class of share capital or on any other equity securities issued by the Issuer; or*
 - (ii) *redeemed, repurchased or otherwise acquired any class of share capital or any other equity securities issued by the Issuer, by any means; or*
- (c) *whether prior to or following a Change of Status, the Issuer has:*
 - (i) *made a payment of any nature on or in respect of any other Deeply Subordinated Obligations or any other Obligations of the Issuer which rank *pari passu* with the Notes, unless such payment was itself required to be made solely as a result of a prior payment having been made on any such other Deeply Subordinated Obligations or other Obligations which rank *pari passu* with the Notes; or*
 - (ii) *redeemed, repurchased or otherwise acquired any other Deeply Subordinated Obligations or any other Obligations of the Issuer which rank *pari passu* with the Notes.*

"Consolidated Net Income" means a positive Consolidated Net Result.

"Consolidated Net Loss" means a negative Consolidated Net Result.

"Consolidated Net Result" means the consolidated net result group share (*résultat net consolidé part du groupe*) of the Issuer, as calculated in the audited annual or unaudited semi-annual consolidated accounts adopted by the Issuer's Supervisory Board *or (following a Change of Status) by the Issuer's shareholders' general meeting.*

"Contribution" shall include any provision for contribution to debt relief operations on highly indebted poorest countries (*provision pour contribution aux opérations de traitement de dette des pays pauvres et très endettés*) as described in note 15 of the 2002 annual report of the Issuer), any payment to the French State of any portion of the Issuer's Consolidated Net Income or consolidated reserves (*réserves consolidées*), any repayment to the French State of all or part of the public funds invested in the Issuer by the French State (*dotation en capital*) or any other similar contribution to the French State or, more generally, any contribution which would have had, had the Issuer been a joint stock company (*société par actions*), the nature of a dividend. The Issuer has undertaken that it will not approve a Contribution to the French State (i) on or after the occurrence of a Supervisory Event (unless an End of Supervisory Event shall have occurred), or (ii) that triggers the occurrence of a Supervisory Event, or (iii) that triggers a Consolidated Net Loss.

"Credit Institution" means any entity subject to the provisions of Article 511-1 *et seq.* of the French *Code monétaire et financier*.

"Deeply Subordinated Notes" means any bonds or notes of the Issuer which constitute direct, unconditional, unsecured and lowest ranking subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and which rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Deeply Subordinated Obligations, but behind the *titres participatifs* issued by, and *prêts participatifs* granted to, the Issuer, and behind the Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer.

"Deeply Subordinated Obligations" means any deeply subordinated notes (including the Notes) or other Obligations or lowest ranking Obligations (*engagements subordonnés de dernier rang*) of the Issuer which rank, or are expressed to rank, *pari passu* with the Notes.

"End of Supervisory Event" means, following a Supervisory Event, the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations or with any other future minimum

regulatory threshold applicable to the Issuer, or, if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event, (ii) the notification by the SGCB (as defined in Condition 3 below), in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the circumstances which resulted in the Supervisory Event have ended.

"Fixed Rate Interest Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

"Floating Rate Interest Period" means the period beginning on (and including) the First Call Date and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

"Interest Amount" means a Fixed Rate Interest Amount and/or a Floating Rate Interest Amount, as the case may be.

"Interest Payment Date" means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be.

"Interest Period" means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be.

"Noteholders" means the holders of the Notes.

"Obligations" means, in respect of any person, any obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, document, instrument or conduct or relationship or directly by the law.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Ordinary Subordinated Creditors" means any person(s) to whom/which the Issuer owes an Ordinary Subordinated Obligation.

"Ordinary Subordinated Obligations" means any Obligations of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Ordinary Subordinated Obligations, but in priority to the *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer and Deeply Subordinated Obligations.

"Original Principal Amount" means the nominal value of each Note on the Issue Date (i.e. €1,000), not taking into account any Loss Absorption or Reinstatement pursuant to Condition 5(a) and (b).

"Principal Amount" means at any time the principal amount of each Note, calculated on the basis of the Original Principal Amount of such Notes as reduced, as the case may be, following a Supervisory Event and/or reinstated, as the case may be, following a Return to Financial Health pursuant to Condition 5(a) and (b).

"Supervisory Event" means the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, falls below the minimum percentage required in accordance with Applicable Banking Regulations or below any other future minimum regulatory threshold applicable to the Issuer, or (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the foregoing clause (i) would apply in the near term.

"TARGET Business Day" means a day on which the TARGET System is operating.

"TARGET System" means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

"**Unsubordinated Creditors**" means any person(s) to which the Issuer owes an Unsubordinated Obligation.

"**Unsubordinated Obligations**" means any Obligations of the Issuer which are unsubordinated.

2 Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €1,000. Title to the Notes will be evidenced in accordance with article L.211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article 7 of *décret* no. 83-359 of 2 May, 1983) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holder**" shall mean any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes the depositary banks for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Title to the Notes shall be evidenced by entries in the books of Euroclear France Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3 Status of the Notes and Subordination

The Notes are Deeply Subordinated Notes issued pursuant to the provisions of article L. 228-97 of the French *Code de Commerce*, as amended by law n° 2003-706 on financial security dated 1 August 2003 and as applied *mutatis mutandis* to the Issuer which is not a *société* (a company) but an *établissement public* (a public law entity).

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* ("**Tier 1 Capital**") within the meaning of Article 2 of *Règlement* n° 90-02 dated 23 February 1990, as amended or replaced from time to time, of the *Comité de la Réglementation Bancaire et Financière* ("**CRBF**"), or recognised as such by the *Secrétariat général de la Commission bancaire* ("**SGCB**" which reference shall, where applicable include any Replacement Supervisory Authority) or any other authority having supervisory authority with respect to the Issuer (a "**Replacement Supervisory Authority**").

Article 2 of the CRBF Règlement n°90-02 dated 23 February 1990 should be read in conjunction with the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "BIS Press Release"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "Modalités de calcul du ratio international de solvabilité".

The principal and interest of the Notes constitute direct, unconditional, unsecured and Deeply Subordinated Obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Deeply Subordinated Obligations of the Issuer, but shall be subordinated to the *titres participatifs* issued by, and *prêts participatifs* granted to, the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of or issued by the Issuer.

The Notes shall rank in priority to capital funds (*dotation en capital*) of the Issuer or, *following a Change of Status*, to any classes of share capital securities issued by the Issuer.

If any judgement is issued for the judicial liquidation (liquidation judiciaire) of the Issuer or if the Issuer has been liquidated for any other reason (which for the avoidance of doubt will only be possible after a Change of Status) the rights of the Noteholders will be calculated on the basis of the Original Principal Amount of the Notes together with Accrued Interest and to the extent that all other creditors of the Issuer (including Unsubordinated Creditors, Ordinary Subordinated Creditors, lenders in relation to prêts participatifs granted to the Issuer and holders of titres participatifs issued by the Issuer) ranking in priority to the Noteholders have been or will be fully reimbursed, as ascertained by the liquidator.

Following a Change of Status, no payments will be made to holders of shares of any class whatsoever of the share capital of the Issuer before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

4 Interest and Interest Suspension

(a) General

Each Note bears interest on its then Principal Amount at a fixed rate of 4.605 per cent. per annum (the "**Fixed Interest Rate**") from (and including) 22 April 2004 (the "**Issue Date**") to but excluding 22 April 2014 (the "**First Call Date**"), payable annually in arrear on 22 April of each year, commencing on 22 April 2005, (each a "**Fixed Rate Interest Payment Date**") and thereafter at a floating rate of 1.32 per cent. per annum above the European inter-bank offered rate for three-month deposits for Euro ("**EURIBOR**") (the "**Floating Interest Rate**") payable quarterly in arrear on 22 April, 22 July, 22 October and 22 January in each year, commencing on 22 July 2014, (each a "**Floating Rate Interest Payment Date**") provided that, if any Floating Rate Interest Payment Date is not a TARGET Business Day, it shall be postponed until the next following day which is a TARGET Business Day unless the next such day falls in the next calendar month in which case such Interest Payment Date shall be brought forward to the immediately preceding day which is a TARGET Business Day.

Interest will cease to accrue on each Note on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default is otherwise made in respect of payment thereof. In such event, interest will continue to accrue at the relevant rate as specified in the preceding paragraph (as well after as before judgment) on the Original Principal Amount or Early Redemption Amount in accordance with Condition 6(b) of such Note until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.

(b) Fixed Interest Rate

- (i) The amount of interest payable on each Note on each Fixed Rate Interest Payment Date will be the product of the then Principal Amount of such Note by the Fixed Rate Interest calculated on an Actual/Actual-ISMA annual basis (the "**Fixed Rate Interest Amount**").
- (ii) If interest is required to be calculated in respect of a Fixed Rate Interest Period where the then Principal Amount is less than the Original Principal Amount, it shall be calculated by the Calculation Agent by applying the Fixed Interest Rate to such Principal Amount and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards). The Calculation Agent will cause such amount to be notified to the Issuer, the Fiscal Agent, Euronext Paris S.A. and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 as soon as possible after its determination but in no event later than the fourth TARGET Business Day thereafter.

For the purpose of these Conditions:

"Actual/Actual-ISMA" means:

- (a) if the Calculation Period is equal to or shorter than the Fixed Interest Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Fixed Interest Period and (y) the number of Fixed Interest Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Fixed Interest Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Fixed Interest Period in which it begins divided by the product of (1) the number of days in such Fixed Interest Period and (2) the number of Fixed Interest Periods normally ending in any year; and

- (y) the number of days in such Calculation Period falling in the next Fixed Interest Period divided by the product of (1) the number of days in such Fixed Interest Period and (2) the number of Fixed Interest Periods normally ending in any year.

"**Calculation Period**" means any period of time (from and including the first day of such period to but excluding the last) in respect of the calculation of an amount of interest on any Note.

(c) Floating Interest Rate

- (i) Method of determination of the Floating Interest Rate

The Floating Interest Rate will be determined by the Calculation Agent on the following basis:-

- (A) On the second TARGET Business Day before the beginning of each Floating Rate Interest Period (the "**Interest Determination Date**") the Calculation Agent will obtain the three-month EURIBOR, as calculated by the European Banking Federation and published for information purpose only on Reuters EURIBOR01 page (or, if not available on this page, on Moneyline Telerate page 248, or, if not available on this page, on such other recognised page or service as may replace it, as determined by the Calculation Agent) (the "**EURIBOR Page**"), as at 11:00 am (Brussels time) on such Interest Determination Date. The Floating Rate for such Floating Rate Interest Period shall be the aggregate of 1.32 per cent. per annum and the rate which so appears as determined by the Calculation Agent.
- (B) If, for any reason, on any Interest Determination Date, no rate is calculated and is published on the EURIBOR Page, the Calculation Agent will request any four major banks selected by it (but which shall not include the Calculation Agent) in the European inter-bank market (the "**Reference Banks**") to provide it with their respective quotations of the rates offered by such banks at approximately 11:00 am (Brussels time) on such Interest Determination Date, to prime banks in the European inter-bank market for three-month deposits in Euro in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The Floating Interest Rate for such Floating Rate Interest Period shall be the aggregate of 1.32 per cent. per annum and the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted.
- (C) If only two or three rates are so quoted on any Interest Determination Date, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted and the Floating Interest for such Floating Rate Interest Period shall be the aggregate of 1.32 per cent. per annum and such arithmetic mean. If fewer than two rates are so quoted on any Interest Determination Date, the Floating Interest Rate in respect of such Floating Rate Interest Period shall be the Floating Interest Rate already in effect on such Interest Determination Date or, in the case of the first Floating Rate Interest Period, the Fixed Interest Rate.

- (ii) Determination of Floating Interest Rate and Calculation of Floating Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, determine the Floating Interest Rate and calculate the amount of interest payable in respect of each Note (the "**Floating Rate Interest Amount**") for the relevant Floating Rate Interest Period. The Floating Rate Interest Amount in respect of a Note shall be calculated by applying the Floating Interest Rate to the then Principal Amount of such Note and multiplying such product by the actual number of days in the Floating Rate Interest Period concerned divided by 360 (rounded to the nearest half cent, with half of cent being rounded upwards)

(iii) Publication of Floating Interest Rate and Floating Rate Interest Amount

The Calculation Agent will cause the Floating Interest Rate and the Floating Rate Interest Amount for each Floating Rate Interest Period and the relevant Floating Rate Interest Payment Date to be notified to the Issuer, the Fiscal Agent, Euronext Paris S.A. and the Luxembourg Stock Exchange and any other stock exchange on which the Notes are for the time being listed and the Calculation Agent will cause publication thereof in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth TARGET Business Day thereafter. The Floating Rate Interest Payment Date so published may subsequently be amended (or appropriate arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period. If the Notes become due and payable under Condition 6(b)(ii) or (c)(ii) or under Condition 9 after the First Call Date other than on a Floating Rate Interest Payment Date, the Accrued Interest and the Floating Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition 4 but no publication of the Floating Interest Rate or the Floating Interest Rate Amount so calculated need be made.

(d) Compulsory Interest and Optional Interest

(i) General

The Issuer may, following a decision of its Supervisory Board or, *following a Change of Status, of its management board*, elect not to pay interest on the Notes, with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.

(ii) On any Compulsory Interest Payment Date

Notwithstanding the provisions of sub-paragraph (i) above, the Issuer shall, on each Compulsory Interest Payment Date, for so long as the compulsory interest provisions apply (as set out in the definition of "Compulsory Interest Payment Date"), pay interest in respect of the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Compulsory Interest Payment Date.

Interest on each Note with respect to, and falling due on, any Compulsory Interest Payment Date will be calculated on the basis of its then Principal Amount.

Accrued Interest payable on any Compulsory Interest Payment Date is not subject to reduction in accordance with Condition 5(a).

(iii) On any Optional Interest Payment Date

On any Optional Interest Payment Date, the Issuer may, at its option, pay interest in respect of the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date, but the Issuer shall have, subject to such election and decision having been made as described in the sub-paragraph (i) above, no obligation to make such payment and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Interest on each Note with respect to, and falling due on, any Optional Interest Payment Date will be calculated on the basis of its then Principal Amount.

Notice of non-payment of all or any interest under the Notes on any Optional Interest Payment Date shall be given to the Noteholders in accordance with Condition 11 and (for so long as the rules of the Stock Exchanges so require) to Euronext Paris S.A. and the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Optional Interest Payment Date.

Any interest not paid on an Optional Interest Payment Date will be forfeited and accordingly will no longer be due and payable by the Issuer.

The amount of A Interest in respect of the Interest Period ending immediately prior to any Optional Interest Payment Date may be reduced following a Supervisory Event, as provided in Condition 5(a) below.

Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event (and until the occurrence of an End of Supervisory Event), unless the relevant Interest Payment Date is a Compulsory Interest Payment Date.

(e) Optional Interest and Supervisory Event

- (i) Interest payable on Optional Interest Payment Dates following the occurrence of a Supervisory Event

In the event that a Supervisory Event has occurred during the Interest Period immediately preceding an Optional Interest Payment Date:

- (x) the amount of A Interest in respect of each Note shall automatically be suspended. In addition, the amount of A Interest may be reduced to absorb losses pursuant to Condition 5(a) below. A Interest may be payable in accordance with the provisions of sub-paragraph (ii) below and
- (y) no interest on the Notes shall accrue nor be payable by the Issuer with respect to the remaining period in such Interest Period or any other Interest Period during the period starting on the date of the Supervisory Event and ending on the date of the End of Supervisory Event.

- (ii) Interest payable on Optional Interest Payment Dates after End of Supervisory Event

In respect of any Optional Interest Payment Date which occurs on or after the End of Supervisory Event, interest on each Note will recommence accruing on its then Principal Amount, on the basis of the number of days elapsed during the period from (and including) the date of End of Supervisory Event to (but excluding) the next succeeding Interest Payment Date as calculated by the Calculation Agent in accordance with Condition 4(b) or, as the case may be, (c).

Such interest may be paid on the next succeeding Optional Interest Payment Date occurring as from the date of the End of Supervisory Event (inclusive).

Any Accrued Interest during the period beginning on the date of End of Supervisory Event not paid by the Issuer on the next succeeding Optional Interest Payment Date will be forfeited in accordance with Condition 5(a).

At the option of the Issuer, any A Interest, to the extent not reduced to absorb losses pursuant to Condition 5(a), may be paid on the first Optional Interest Payment Date falling on or after the date of the End of Supervisory Event. Any A Interest not paid by the Issuer on such first Optional Interest Payment Date will be forfeited in accordance with Condition 5(a).

5 Loss Absorption and Return to Financial Health

(a) Loss Absorption

In the event that the occurrence of a Supervisory Event requires, a strengthening of the regulatory capital of the Issuer, then, prior to a Change of Status, the Supervisory Board of the Issuer will, during the three months following the occurrence of the Supervisory Event, explore the possibility of increasing its capital funds (*dotation en capital*) by allocation of public funds in accordance with applicable laws or regulations or any other measure to remedy the Supervisory Event, *or, following a Change of Status, the management board of the Issuer will convene an extraordinary shareholders' meeting during the same period in order to propose a share capital increase or any other measure to remedy the Supervisory Event.*

If then,

- (i) prior to a Change of Status, the allocation of public funds to the Issuer is not effected, or is insufficient to remedy the Supervisory Event *or following a Change of Status, the share capital increase or any other proposed measures are not accepted by the extraordinary shareholders' meeting of the Issuer, or if the share capital increase adopted by such extraordinary shareholders' meeting is insufficiently subscribed to remedy the Supervisory Event*, or, in any event, if the Supervisory Event remains on the last day of the Interim Period (as defined below) during which the Supervisory Event has occurred, and
- (ii) the amount of the Consolidated Net Loss (as set out in the latest consolidated accounts of the Issuer (whether audited annual or unaudited semi-annual) in relation to the previous Interim Period) has not been totally set off against the increase of the capital funds (*dotation en capital*) of the Issuer by allocation of public funds in accordance with applicable laws or regulations or any other proposed measure or, *following a Change of Status, against the increase of the shareholders funds (capitaux propres) of the Issuer*, following the implementation of the measures adopted by the Supervisory Board or *the extraordinary shareholders' meeting* (as the case may be and as described above),

the Supervisory Board or the *management board* (as the case may be) of the Issuer will implement, within 10 days following the last day of the relevant Interim Period, a reduction of the amount of A Interest and, if necessary, of the then Principal Amount of the Notes ("**Loss Absorption**"). A Loss Absorption will firstly be implemented by a partial or full reduction in the amount of A Interest. If the total reduction of A Interest is not sufficient for the purposes of the Loss Absorption, a further Loss Absorption will be implemented by reducing the then Principal Amount. Such reductions will be recorded as a profit in the Issuer's consolidated accounts (whether audited annual or unaudited semi-annual).

"**Interim Period**" means a six month financial period ending on 30 June or 31 December in each year.

Such reductions will be made without prejudice to the rights of the Noteholders under Condition 5(b) below and to the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of these Conditions. For the avoidance of doubt, no provision of these Conditions shall affect the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of these Conditions.

The amounts by which A Interest and, as the case may be, the then Principal Amount are reduced to enable the Issuer to continue its activities without weakening its financial structure will be the lower of (i) the balance of the Consolidated Net Loss (as defined in Condition 1) not set off against an increase of the Issuer's capital funds (*dotation en capital*) by allocation of public funds in accordance with applicable laws or regulations or any other proposed measure, *or, following a Change of Status, a share capital increase* implemented in accordance with the first paragraph of Clause 5 (a)) and (ii) the amounts of A Interest and the then Principal Amount before reduction.

Notwithstanding any other provision of these Conditions, the Principal Amount of each Note shall never be reduced to an amount lower than one cent.

Any such reduction shall be applied in respect of each Note equally and, in the event the Issuer has other Deeply Subordinated Obligations or other Obligations which rank *pari passu* with the Notes outstanding, such reduction will be applied on a pro-rata basis among them.

A Interest and the then Principal Amount of the Notes pursuant to the above provision may be reduced on one or more occasions, as required.

For the avoidance of doubt, the Loss Absorption will be applied to the amount of A Interest and, if necessary, to the then Principal Amount of the Notes exclusively and in priority to any securities of the Issuer ranking junior to the Notes.

The provisions of this Condition with respect to the Loss Absorption have been drafted with a view that the Notes qualify as Tier 1 Capital, in accordance with the BIS Press Release.

Notice of any Supervisory Event and of any End of Supervisory Event shall be given to the Noteholders in accordance with Condition 11 and (for so long as the rules of the Stock Exchanges so require) to Euronext Paris S.A. and the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable following the occurrence of a Supervisory Event and of any End of Supervisory Event. Notice of any reduction of A Interest or of the then Principal Amount shall be given to the Noteholders in accordance with Condition 11 and (for so long as the rules of the Stock Exchanges so require) to Euronext Paris S.A. and the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of A Interest or of the Principal Amount.

(b) Return to Financial Health

If a Consolidated Net Income is recorded for two consecutive financial years (as set out in the last consolidated accounts of the Issuer (whether audited annual or unaudited semi-annual)) following the End of Supervisory Event (a "**Return to Financial Health**"), the Issuer shall increase the then Principal Amount of the Notes (a "**Reinstatement**"), to the extent any such Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) does not trigger the occurrence of a Supervisory Event. For the avoidance of doubt, the Reinstatement shall be made up to a maximum amount equal to the Consolidated Net Income, to the extent any such Reinstatement does not trigger the occurrence of a Supervisory Event.

Following a Reinstatement the Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes.

Any Reinstatement shall be recorded by the Issuer in its consolidated accounts (whether audited annual or unaudited semi-annual) as a loss of an amount corresponding to the increase of the Reinstatement.

Any such Reinstatement shall be applied in respect of each Note equally and, in the event the Issuer has outstanding other Deeply Subordinated Obligations or other Obligations which rank *pari passu* with the Notes and which may also benefit from a reinstatement in accordance with their terms, a Reinstatement will be applied on a pro-rata basis with other reinstatements made on such other Deeply Subordinated Obligations or other Obligations which rank *pari passu* with the Notes.

However, in any event, whether or not a Return to Financial Health has occurred, the Issuer shall increase the then Principal Amount of the Notes up to the Original Principal Amount of the Notes prior to:

- (a) absent a Change of Status,
 - making a Contribution, approved by the Supervisory Board, to be recorded in its next accounts of the Issuer (whether annual audited or semi-annual unaudited) to the French State
- (b) *following a Change of Status:*
 - (i) *any declaration or payment of a dividend (whether in cash, shares or any other form), or more generally any payment of any nature, by the Issuer, on any class of share capital issued by the Issuer; or*
 - (ii) *any redemption, repurchase or acquisition of any class of share capital, or any other equity securities issued by the Issuer, by any means; or*
- (c) *whether before or after a Change of Status:*
 - (i) any payment of any nature (other than a payment of interest on a compulsory interest payment date) by the Issuer on other Deeply Subordinated Obligations or any other Obligations of the Issuer which rank *pari passu* with the Notes; or

- (ii) any optional redemption or purchase by the Issuer of (1) the Notes, in accordance with Condition 6(b) to (c) or (2) of any other Deeply Subordinated Obligations or other Obligations which rank *pari passu* with the Notes, in accordance with their terms.

In all cases, any Reinstatement shall not exceed the amount of the latest Consolidated Net Income of the Issuer.

Notice of any Return to Financial Health shall be given to the Noteholders in accordance with Condition 11 and (for so long as the rules of the Stock Exchanges so require) to Euronext Paris S.A. and the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable, following the occurrence of a Return to Financial Health. Notice of any Reinstatement shall be given to the Noteholders in accordance with Condition 11 and (for so long as the rules of the Stock Exchanges so require) to Euronext Paris S.A. and the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement.

6 Redemption and Purchase

The Notes may not be redeemed otherwise than in accordance with this Condition 6.

(a) No Final Redemption

The Notes are undated perpetual obligations in respect of which there is no fixed redemption date.

(b) Issuer's Call Options subject to the approval of the SGCB for so long as the Issuer remains a Credit Institution

(i) General Call Option

On the First Call Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 60, days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11 and subject to prior approval of the SGCB (unless the Issuer is no longer a Credit Institution), may redeem all, but not some only, of the Notes at their Original Principal Amount.

(ii) Redemption for Taxation Reasons or Regulatory Reasons

- (A) By reason of a change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), becoming effective on or after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8, the Issuer may, at any time, subject to having given not more than 45 nor less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, and subject to the prior approval of the SGCB (unless the Issuer is no longer a Credit Institution), redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined below) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;
- (B) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 11, and subject to the prior approval of the SGCB (unless the Issuer is no longer a Credit Institution), redeem all, but not some only, of the Notes then outstanding at their Early Redemption Amount provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable

date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;

- (C) by reason of any change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), or any other change in the tax treatment of the Notes, becoming effective on or after the Issue Date, interest payment under the Notes was but is no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 day's notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the SGCN (unless the Issuer is no longer a Credit Institution), redeem all, but not some only, of the Notes at their Early Redemption Amount provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes;
- (D) by reason of any change in Applicable Banking Regulations, any change in the official application or interpretation of such regulations, becoming effective on or after the Issue Date, the proceeds of the Notes ceases to qualify as Tier 1 Capital, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 day's notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 11, and subject to the prior approval of the SGCN (unless the Issuer is no longer a Credit Institution), redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined below) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest date on which the proceeds of the Notes could qualify as Tier 1 Capital.

(c) **Call Options not subject to the approval of the SGCN**

(i) *Call Option if the Issuer is no longer a Credit Institution*

If the Issuer ceases at any time to be a Credit Institution, then the Issuer may on any Interest Payment Date thereafter, subject to having given not more than 45 and no less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11, redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined below).

For the avoidance of doubt and for the purpose of the immediately preceding provisions, the Issuer may cease to be a Credit Institution while retaining its present legal status or following a Change of Status.

(ii) *Call Option of the French State*

If the Issuer has been dissolved and all, or substantially all of, its rights and obligations (including, in all cases, all the Notes) have been transferred directly to the French State, then the French State may, at its option and at any time, subject to having given not more than 45 nor less than 30 days' prior notice (which notice shall be irrevocable) to the Noteholders in accordance with Condition 11 redeem all, but not some only, of the Notes then outstanding at their Early Redemption Amount.

Following such direct transfers to the French State, and for so long as the French State has not exercised its option to redeem the Notes, then:

- (i) each future Interest Payment Date shall be deemed to be a Compulsory Interest Payment Date; and
- (ii) the then Principal Amount of the Notes shall, if applicable, forthwith be increased (assuming such Principal Amount to have been previously reduced as a result of one or more Loss Absorptions) up to the Original Principal Amount and a Return to Financial Health shall be deemed to exist and continue thereafter until the Notes are redeemed.

For the purposes of this Condition:

"Calculation Date" means the fourth TARGET Business Day prior to the Early Redemption Date.

"Comparable OAT" means the OAT selected by the Calculation Agent as being that which would, in its reasonable opinion, be used at the time of selection, and in accordance with customary financial practice, for the purpose of pricing similar issues of securities with a maturity comparable to the period between the Early Redemption Date and the First Call Date.

"Comparable OAT Yield" means (a) the average of five SVT Quotations, after excluding the highest and the lowest of such quotations, and (b) if the Calculation Agent obtains less than five such quotations, the average of all such quotations so obtained.

"Early Redemption Amount" means an amount payable in respect of each Note which shall be (i) (in the case of a date set for the redemption (the **"Early Redemption Date"**) which would fall before the First Call Date) the higher of (a) the Original Principal Amount together with any interest accrued to the Early Redemption Date and (b) the Make Whole Amount together with any interest accrued to the Early Redemption Date and (ii) (in the case of an Early Redemption Date falling on or after the First Call Date) the Original Principal Amount together with any interest accrued to the Early Redemption Date;

"Make Whole Amount" means an amount in Euro rounded to the nearest cent (half a cent being rounded upwards), as determined by the Calculation Agent, equal to the sum of (x) the then present value of the Original Principal Amount, (y) the then present values of the scheduled Interest Amounts, calculated on the basis of the Original Principal Amount, from (and including) the First Call Date to the Early Redemption Date. The present values of (x) and (y) shall be calculated by discounting the Original Principal Amount and the scheduled Interest Amounts from the First Call Date to the Early Redemption Date at the OAT Adjusted Yield on an Actual/Actual-ISMA annual basis (as defined in Condition 4(b)).

"OAT Adjusted Yield" means the Comparable OAT Yield to maturity.

"SVT" means a *Spécialiste en Valeurs du Trésor* as selected by the Calculation Agent.

"SVT Quotations" means the average, as determined by the Calculation Agent, of the bid and ask prices for the Comparable OAT by each relevant SVT quoted to the Calculation Agent at or about 11.00 (Paris time) on the Calculation Date.

(d) Purchases

The Issuer may at any time purchase Notes in the open market or otherwise at any price provided that the prior approval of the SGCB shall have to be obtained (unless the Issuer is no longer a Credit Institution):

- (a) if the total aggregate principal amount of Notes so purchased shall exceed 10 per cent of the original aggregate principal amount of the Notes, and
- (b) in the case of an *offre publique d'achat* (a Public Cash-Tender Offer Bid) or an *offre publique d'échange* (a Public Exchange Tender Offer).

(e) Cancellation

All Notes which are purchased or redeemed by the Issuer pursuant to paragraphs (b) to (d) of this Condition 6 will be cancelled and accordingly may not be reissued or sold.

7 Payments and Calculations

(a) Method of Payment

Payments in respect of principal and interest on the Notes will be made in Euro by credit or transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred)

specified by the payee with a bank in a country within the TARGET System. Such payments shall be made for the benefit of the Noteholders to the Account Holders (including the depositary banks for Euroclear and Clearstream, Luxembourg) and all payments validly made to such Euroclear France Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Noteholders in respect of such payments.

(b) Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the Noteholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of these Conditions, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which exchange markets and commercial banks are open for business in Paris and Luxembourg, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and (iii) on which is a TARGET Business Day.

(c) Fiscal Agent, Paying Agents and Calculation Agent

The name and specified office of the initial Fiscal Agent and the name and specified office of the other initial Paying Agent and the Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND LUXEMBOURG PAYING AGENT

Société Générale Bank & Trust S.A.

11, avenue Emile Reuter
2420 Luxembourg

PARIS PAYING AGENT AND CALCULATION AGENT

Société Générale

29, boulevard Haussmann
75009 Paris

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agent(s), Calculation Agent and/or appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, the Calculation Agent, any Paying Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Notes are listed on the *Premier Marché* of Euronext Paris S.A. and the rules of such exchange so require, a Paying Agent having a specified office in Paris (iii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), and (v) so long as any Note is outstanding, a Calculation Agent for the purposes of the Notes having a specified office in a European city. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading European bank engaged in the Euro inter-bank market (acting through its principal Paris office) to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 not more than

45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Noteholders as specified in Condition 11.

(d) *Certificates to be final*

All certificates, communications, opinion, determinations, calculation, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the Reference Banks (or any of them) shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the Reference Banks, and all the Noteholders. No Noteholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent or the Reference Banks or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

8 Taxation

(a) *Withholding Tax Exemption*

The Notes being denominated in Euro and deemed issued outside the Republic of France, interest and other revenues in respect of the Notes benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated 30 September 1998) from the exemption provided for in Article 131 *quater* of the *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

(b) *Additional Amounts*

If French law should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a Noteholder (or beneficial owner (*ayant droit*)):

- (i) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Note by reason of his having some present or former connection with the Republic of France other than the mere holding of such Note; or
- (ii) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or
- (iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 to Noteholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 8.

9 Event of Default

Following a Change of Status, if any judgement is issued for the judicial liquidation (liquidation judiciaire) of the Issuer or if the Issuer has been liquidated for any other reason then the Notes will become immediately due and payable at their Original Principal Amount together with Accrued Interest.

For the avoidance of doubt, there will be no other event of default in respect of the Notes.

10 Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "**Masse**").

The *Masse* will be governed by the provisions of the French Commercial Code (with the exception of the provisions of Articles L. 228-48 and L. 228-59 thereof) and by French *décret* no. 67-236 of 23 March, 1967, as amended (with the exception of the provisions of Articles 218, 222 and 224 thereof) subject to the following provisions.

(a) Legal Personality

The *Masse* will be acting in part through one representative (hereinafter called "**Representative**") and in part through a general assembly of the Noteholders.

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:-

- (i) the Issuer, the members of its Supervisory Board, its auditors, its employees and the employees of the companies referred to in (iii) and their ascendants, descendants and spouse; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer; or
- (iii) companies of which the Issuer possesses at least 10 per cent. of the share capital *or, in the event of a Change of Status, companies possessing at least 10 per cent. of the share capital of the Issuer*; or
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The following person is designated as Representative:

Association de représentation des masses d'obligataires
Centre Jacques Ferronnière
32, rue du Champ de Tir
BP 81236
44312 Nantes Cedex 3

represented by its president Mr. Alain Foulonneau domiciled at the above address.

The Issuer shall pay to the Representative an amount of €610 per year payable on the anniversary of the Issue Date in each year, commencing on the first such anniversary in 2005.

In the event dissolution, resignation or revocation of appointment of the Representative, a substitute will be elected by a meeting of the general assembly of Noteholders.

All interested parties will at all times have the right to obtain the name and address of the Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(c) *Powers of the Representative*

The Representative shall, in the absence of any decision to the contrary of the general assembly of Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders. All legal proceedings against the Noteholders or initiated by them, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) *General Assemblies of Noteholders*

General assemblies of the Noteholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of outstanding Notes may address to the Issuer and the Representative a demand for convocation of the general assembly. If such general assembly has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition a Court sitting in the jurisdiction of the Court of Appeal of Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda of any general assembly will be published as provided under Condition 11.

Each Noteholder has the right to participate in general assemblies in person or by proxy. Each Note carries the right to one vote.

(e) *Powers of General Assemblies*

A general assembly is empowered to deliberate on the fixing of the remuneration of the Representative and its dismissal and replacement, and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that a general assembly may not increase amounts payable by Noteholders, nor authorise or accept a postponement in the maturity for the payment of interest or a modification of the terms of repayment or of the rate of interest, nor establish any unequal treatment between the Noteholders, *nor, in the event of a Change of Status, decide to convert the Notes into shares.*

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least a quarter of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by the Noteholders attending such meeting or represented thereat.

Decisions of the general assemblies must be published in accordance with the provisions set forth in Condition 11.

(f) *Information to the Noteholders*

Each Noteholder or representative thereof will have the right, during the 15 day period preceding the holding of each general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the general assembly, which will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of the general assembly given in accordance with Condition 11.

(g) *Expenses*

The Issuer will pay all expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of general assemblies and the expenses which arise by virtue of the remuneration of the Representative, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

11 Notices

Any notice to the Noteholders will be valid if published, (i) so long as the Notes are listed on Euronext Paris S.A. and the rules of that Exchange so require, in a leading daily economic and financial newspaper having general circulation in France (which is expected to be *Les Echos* or *La Tribune*) and (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12 Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13 Further Issues

The Issuer may from time to time, subject to the prior written approval of the SGCB (unless the Issuer is no longer a Credit Institution) but without the consent of the Noteholders and subject to there being no Supervisory Event in existence issue further Notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further Notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further Notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated (*assimilables*) Notes will for the defence of their common interests be grouped in a single *Masse* having legal personality.

14 Governing Law and Jurisdiction

The Notes are governed by, and shall be construed in accordance with, the laws of the Republic of France. Under present French administrative law, the Issuer's assets and properties situated in France cannot be the subject of execution or other enforcement proceedings in the Republic of France.

In relation to any legal action or proceeding arising out of or in connection with the Notes, the Issuer irrevocably submits to the jurisdiction of the competent courts in Paris.

RESUME EN FRANCAIS

Responsabilité du prospectus

Patrice MOLLIE

Directeur Financier

Benoît OTTENWAEALTER

Directeur Délégué des
Marchés de Taux, Change et
Matières Premières

AGENCE FRANCAISE DE DEVELOPPEMENT

SOCIETE GENERALE

Visa n° 04-289 en date du 16 avril 2004.

Le présent prospectus accompagné du présent résumé en français sera disponible aux heures habituelles d'ouverture des bureaux, un quelconque jour de la semaine (à l'exception des samedis, dimanches et jours fériés) dans les bureaux de l'agent payeur à Paris et de l'agent payeur à Luxembourg.

A - CONTENU ET MODALITES DE L'OPERATION

1. Montant de l'émission

Nombre et valeur nominale des Titres : 300 000 Titres d'une valeur nominale de 1 000 euros chacun à la date d'émission. La valeur nominale à la date d'émission (valeur nominale d'origine) de chaque Titre peut faire l'objet, dans certaines circonstances, d'une réduction suivie ou non, selon les circonstances, d'une reconstitution (cf. sous-section « Modification du montant des intérêts et, le cas échéant, de la valeur nominale des Titres » au paragraphe 2.4 ci-après). En tout état de cause, la valeur nominale de chaque Titre ne pourra être réduite en-deçà d'un centime d'euro par Titre.

Montant nominal de l'émission : 300 000 000 d'euros.

2. Caractéristiques des Titres émis

2.1 Prix de souscription/Prix d'émission : 100% de la valeur nominale.

Coupon couru (s'il y a lieu) : Non applicable.

Modalité de paiement (paiement fractionné...) : Non applicable.

2.2 Jouissance des titres :

Date d'entrée en jouissance des Titres : 22 avril 2004.

2.3 Date de règlement : 22 avril 2004.

2.4 Intérêts et/ou taux nominal (facial) ou caractéristiques nominales (faciales) et le cas échéant, leurs modalités de calcul :

1/ Taux d'intérêt applicable

Pour la période du 22 avril 2004 (inclus) au 22 avril 2014 (exclu), les Titres porteront intérêt sur leur valeur nominale (d'origine, réduite ou reconstituée en totalité ou en partie) au taux d'intérêt fixe de

4,605% l'an payable annuellement à terme échu le 22 avril de chaque année, le premier paiement d'intérêt fixe devant être effectué le 22 avril 2005.

A compter du 22 avril 2014 (inclus), et sous réserve du remboursement anticipé selon les modalités visées ci-après, les Titres porteront intérêt sur leur valeur nominale (d'origine, réduite ou reconstituée en totalité ou en partie) à un taux variable, payable trimestriellement à terme échu les 22 avril, 22 juillet, 22 octobre, 22 janvier de chaque année, le premier paiement d'intérêt variable devant être effectué le 22 juillet 2014. Le taux d'intérêt variable sera le taux Euribor trois mois majoré de 1,32% par an.

2/ Paiement d'intérêt obligatoire / paiement d'intérêt optionnel

(i) Intérêts obligatoires

L'Emetteur est tenu de payer les intérêts relatifs aux Titres à chaque date de paiement d'intérêt (date de paiement d'intérêt obligatoire) si au cours de l'année précédant cette date de paiement d'intérêt :

- (a) en l'absence de changement de forme juridique, les derniers comptes consolidés de l'Emetteur (semestriels non audités ou annuels audités) présentent un solde créditeur du compte de résultat net consolidé part du groupe (sous réserve qu'aucun événement réglementaire (tel que défini ci-après) ne soit advenu au cours de l'année précédant la date de paiement d'intérêt (à moins que cet événement ait pris fin avant la date de paiement d'intérêt concernée)) ou l'Emetteur a effectué une contribution, approuvée par le conseil de surveillance, à l'Etat français; ou
- (b) en cas de changement de forme juridique, l'Emetteur a déclaré ou versé des dividendes ou procédé à des paiements de toute nature au profit de toute catégorie de titres de capital émis par l'Emetteur ou a remboursé, racheté ou acquis tout titre de capital émis par l'Emetteur ; ou
- (c) dans tous les cas, l'Emetteur a procédé à des paiements de toute nature au titre d'engagements subordonnés de dernier rang ou d'autres engagements venant au même rang que les Titres tel que plus amplement décrit dans les modalités des

Titres ou remboursé, racheté ou acquis tout engagement subordonné de dernier rang ou d'autres engagements venant au même rang que les Titres.

Tout intérêt dû à une date de paiement d'intérêt obligatoire sera calculé sur la base de la valeur nominale à cette date.

(ii) Intérêts optionnels

Dans toutes les autres situations, l'Emetteur a l'option de ne pas verser les intérêts dus à la date de paiement d'intérêt, sous réserve que la décision de ne pas payer ait été prise par le conseil de surveillance (ou, en cas de changement de forme juridique, par son organe de direction), afin de permettre la continuité des activités sans affaiblir la situation financière de l'Emetteur.

Tout intérêt non versé à une date de paiement d'intérêt optionnel sera définitivement perdu.

En cas de survenance d'un événement réglementaire, le paiement d'intérêt sera automatiquement suspendu jusqu'à la fin de l'événement réglementaire.

Tout intérêt couru jusqu'à la date de survenance d'un événement réglementaire pourra être réduit conformément au sous-paragraphe 4.1 « Absorption des pertes » ci-après.

3/ Paiement d'intérêt optionnel en cas d'événement réglementaire

La survenance d'un "événement réglementaire" entraîne certaines conséquences pour les porteurs des Titres. Un événement réglementaire survient (i) si le ratio de solvabilité consolidé de l'Emetteur et de ses filiales et participations consolidées est inférieur au niveau requis par la réglementation bancaire applicable aux établissements de crédit ou (ii) si le Secrétariat général de la Commission bancaire (SGCB), au vu de la situation financière de l'Emetteur, notifie à l'Emetteur qu'il est de l'avis que la situation décrite au point (i) ci-dessus se produira dans un avenir proche.

En cas de survenance d'un "événement réglementaire" pendant une période d'intérêt s'achevant à une date de paiement d'intérêt optionnel, les intérêts courus entre la dernière date de paiement d'intérêt et la date de survenance de l'événement réglementaire sont suspendus automatiquement et peuvent faire l'objet, le cas échéant, d'une réduction dans les termes énoncés au sous-paragraphe 4.1 ci-après.

Par ailleurs, les intérêts relatifs, à la période comprise entre la date de survenance de l'événement réglementaire et la fin de l'événement réglementaire,

cesseront de courir et d'être dus.

Lorsque l'événement réglementaire prend fin, les intérêts recommencent à courir sur la période comprise entre la date de la fin de l'événement réglementaire et la prochaine date de paiement d'intérêt optionnel. Si l'Emetteur ne paie pas ces intérêts à la date de paiement d'intérêt optionnel, ils seront réputés perdus.

Tout montant d'intérêt couru entre une date de paiement d'intérêt et la date de survenance d'un événement réglementaire peut être versé à la première date de paiement d'intérêt suivant la date de la fin de l'événement réglementaire, dans les limites du montant non réduit. A défaut de paiement à cette date, les intérêts seront réputés perdus.

4/ Modification du montant des intérêts et, le cas échéant, de la valeur nominale des Titres

4.1/ Absorption des pertes

Si la survenance d'un événement réglementaire requiert un renforcement du capital prudentiel de l'Emetteur, le conseil de surveillance de l'Emetteur (ou, en cas de changement de forme juridique de l'Emetteur, son organe de direction) devra procéder (i) à la réduction du montant des intérêts courus jusqu'à la date dudit événement et (ii) si cette réduction était insuffisante, à la réduction de la valeur nominale des Titres (a) s'il n'est pas parvenu à remédier à cet événement réglementaire dans les six mois qui suivent la survenance d'un tel événement (tel que plus amplement décrit dans les modalités des Titres), (b) si au terme de la période intermédiaire considérée (x) l'allocation de fonds publics (ou, après changement de forme juridique, l'augmentation de capital) à réaliser n'a pas lieu ou se révèle insuffisante pour y remédier ou (y) d'une manière générale, si l'événement réglementaire est toujours existant et (c) si, au titre de la période intermédiaire précédente, un solde débiteur du compte de résultat net consolidé part du groupe a été constaté et que ce dernier n'a pas été totalement compensé par l'allocation de fonds publics (ou, après changement de forme juridique, l'augmentation de capital).

La réduction desdits intérêts et, le cas échéant, de la valeur nominale des Titres sera égale au montant le plus bas entre (i) le solde débiteur du compte de résultat net consolidé part du groupe non compensé par l'augmentation de la dotation en capital de l'Emetteur (ou en cas de changement de forme juridique de l'Emetteur, de l'augmentation de capital) et (ii) le montant desdits intérêts et de ladite valeur nominale des Titres avant réduction.

Les intérêts courus et payables à une date de paiement d'intérêt obligatoire ne pourront faire l'objet d'une réduction.

4.2/ Cas de reconstitution de la valeur nominale d'origine des Titres

Si l'Emetteur enregistre, pendant deux exercices consécutifs suivant la fin d'un événement réglementaire, un solde créditeur du compte de résultat net consolidé part du groupe (un retour à meilleure fortune), l'Emetteur devra augmenter la valeur nominale des Titres, cette augmentation étant toutefois limitée par la nécessité de ne pas provoquer un nouvel événement réglementaire, tel que plus amplement décrit dans les modalités des Titres. La valeur nominale des Titres après augmentation ne peut être supérieure à la valeur nominale d'origine.

Qu'il se soit produit un retour à meilleure fortune ou non, l'Emetteur devra reconstituer la valeur nominale d'origine des Titres avant de :

- (a) (en l'absence de changement de forme juridique) effectuer une contribution à l'Etat français approuvée par le conseil de surveillance, cette contribution devant être comptabilisée dans les prochains comptes de l'Emetteur (annuels ou semestriels) ; ou
- (b) (à la suite d'un changement de forme juridique) (i) déclarer ou verser des dividendes ou procéder à des paiements de toute nature au profit de toute catégorie de titres de capital émis par l'Emetteur ou (ii) rembourser, racheter ou acquérir tout titre de capital émis par l'Emetteur ;
- (c) (dans tous les cas) (i) procéder à des paiements de toute nature (sauf paiement d'intérêt à une date de paiement obligatoire) au titre d'engagements subordonnés de dernier rang ou d'autres engagements venant au même rang que les Titres, tel que plus amplement décrit dans les modalités des Titres ou (ii) rembourser ou racheter les Titres tel qu'indiqué au paragraphe 2.5 ci-après ou d'autres engagements subordonnés de dernier rang ou d'autres engagements venant au même rang que les Titres.

Dans tous les cas le montant de l'augmentation de la valeur nominale des Titres ne doit pas excéder le montant du dernier solde créditeur du compte de résultat net consolidé part du groupe de l'Emetteur.

2.5 Amortissement :

Remboursement :

Non applicable.

(a) Absence de remboursement in fine

Les Titres, qui ont été émis pour une durée indéterminée, n'ont pas de date de remboursement déterminée.

(b) Options de remboursement de l'Emetteur soumises à l'approbation du SGCB tant que l'Emetteur conserve la qualité d'établissement de crédit

(i) Option de remboursement générale

Le 22 avril 2014, puis à chaque date de paiement d'intérêt ultérieure, l'Emetteur a l'option, sous réserve de l'approbation préalable du SGCB (à moins que l'Emetteur ne soit plus un établissement de crédit), de rembourser la totalité des Titres à leur valeur nominale d'origine.

(ii) Remboursement pour des raisons fiscales ou réglementaires

(w) Si, en raison d'une modification de la législation ou de la réglementation fiscale française ou de toute application ou interprétation de celle-ci, l'Emetteur ne peut effectuer un paiement d'intérêt ou un remboursement du nominal des Titres qu'en étant contraint, conformément aux modalités des Titres, d'effectuer le versement de montants supplémentaires (pour prendre en charge toute retenue à la source à laquelle le paiement devient soumis), l'Emetteur a l'option sous réserve de l'autorisation préalable du SGCB (à moins que l'Emetteur ne soit plus un établissement de crédit), de rembourser à tout moment la totalité des Titres à leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres) mais pas avant la date à laquelle il pourra effectuer le paiement d'intérêt ou le remboursement du nominal sans retenue à la source.

(x) Si, malgré l'engagement de l'Emetteur de verser des montants supplémentaires, celui-ci se trouvait empêché par la loi de prendre à sa charge le montant de ces montants supplémentaires, l'Emetteur devra rembourser la totalité des Titres pour leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres) mais pas avant la date à laquelle il pourra

effectuer tout paiement d'intérêt net de toute retenue à la source.

(y) Si, en raison d'une modification de la législation ou de la réglementation fiscale française ou de toute application ou interprétation de celle-ci, le paiement d'intérêt n'est plus déductible pour l'Emetteur au titre de l'impôt sur les bénéfices des sociétés, l'Emetteur a l'option, sous réserve de l'autorisation préalable du SGCB (à moins que l'Emetteur ne soit plus un établissement de crédit), de rembourser à tout moment la totalité des Titres pour leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres) mais pas avant la date à laquelle il pourra effectuer tout paiement d'intérêt fiscalement déductible.

(z) Si, en raison d'une modification de la réglementation applicable aux établissements de crédit ou de toute application ou interprétation de celle-ci, le produit d'émission des Titres n'est plus considéré comme des fonds propres de base (*Tier 1*), l'Emetteur a l'option, sous réserve de l'autorisation préalable du SGCB (à moins que l'Emetteur ne soit plus un établissement de crédit), de rembourser à tout moment la totalité des Titres en circulation pour un montant égal à leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres) mais pas avant la date à laquelle le produit d'émission des Titres ne sera plus considéré comme des fonds propres de base.

(c) Options de remboursement non soumises à l'approbation du SGCB

(i) Option de remboursement en cas de perte par l'Emetteur de sa qualité d'établissement de crédit

En cas de perte à tout moment par l'Emetteur de sa qualité d'établissement de crédit, l'Emetteur a l'option à chaque date de paiement d'intérêt de rembourser la totalité des Titres pour leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres).

(ii) Option de remboursement de l'Etat français

En cas de dissolution de l'Emetteur et transfert consécutif de ses droits et obligations (partiel ou total mais comprenant les Titres) à l'Etat français, ce dernier a l'option de rembourser à tout moment

la totalité des Titres pour leur valeur de remboursement anticipé (égale au moins à la valeur nominale d'origine, tel que plus amplement décrit dans les modalités des Titres).

En l'absence d'exercice de cette option par l'Etat français, chaque date de paiement d'intérêt ultérieure sera considérée une date de paiement obligatoire et la valeur nominale des Titres devra, si besoin est, être immédiatement reconstituée à hauteur de la valeur nominale d'origine.

(d) Rachats et remboursements

L'Emetteur peut, à tout moment, procéder à des rachats de Titres sur le marché ou hors marché, sous réserve dans certains cas de l'autorisation préalable du SGCB (à moins que l'Emetteur ne soit plus un établissement de crédit).

Tout Titre remboursé ou racheté par l'Emetteur conformément aux paragraphes ci-dessus sera annulé, et ne pourra être à nouveau remis en circulation.

2.6 Durée de l'émission :

Les Titres ont été émis pour une durée indéterminée ; par conséquent, ils n'ont pas de date de remboursement déterminée.

2.7 Clause d'assimilation :

Non applicable.

2.8 Rang de créance :

Le nominal et les intérêts des Titres constituent des engagements directs, inconditionnels, non assortis de sûretés et subordonnés de dernier rang, venant au même rang entre eux et au même rang que les autres engagements subordonnés de dernier rang, présents et futurs, de l'Emetteur et venant après les titres participatifs émis par l'Emetteur, les prêts participatifs consentis à l'Emetteur, les engagements subordonnés ordinaires et les engagements non subordonnés de l'Emetteur.

Le produit de l'émission des Titres est destiné à augmenter les fonds propres de base de l'Emetteur au sens de l'article 2 du Règlement n° 90-02 du 23 février 1990 du Comité de la Réglementation Bancaire et Financière.

2.9 Notation :

Les Titres ont été notés AA par Standard & Poor's Rating Services et AA+ par Fitch Ratings.

2.10 Mode de représentation des porteurs des Titres, le cas échéant :

Les porteurs des Titres sont regroupés pour la défense de leurs intérêts communs en une masse.

La masse sera régie par les dispositions du Code de commerce à l'exception des articles L.228-48 et L.228-59 et par les dispositions du décret n° 67-236 du

23 mars 1967 à l'exception des articles 218, 222 et 224, tel que décrit plus amplement dans les modalités des Titres.

Le représentant de la masse sera :

Association de représentation
des masses d'obligataires
Centre Jacques Ferronnière
32, rue du Champ de Tir
BP 81236
44312 Nantes Cedex 3

représentée par son président,
M. Alain Foulonneau,
domicilié à la même adresse

2.11 Liste des établissements chargés du service financier en France :

Le service financier sera assuré par Société Générale, 29, boulevard Haussmann, 75009 Paris, en qualité d'agent payeur en France.

2.12 Droit applicable et tribunaux compétents en cas de litige :

Droit français ; tribunaux compétents situés à Paris.

B - ORGANISATION ET ACTIVITE DE L'EMETTEUR

1. Renseignements de caractère général concernant l'émetteur, ses organes d'administration

1.1 Dénomination :

Agence Française de Développement (AFD)

Siège :

5 rue Roland Barthes
75598 Paris Cedex 12

1.2 Forme juridique de l'émetteur et nature des organes d'administration:

Établissement public à caractère industriel et commercial dont la direction et l'administration sont confiées à un directeur général nommé pour trois ans par décret.

1.3 Nom et statut des contrôleurs légaux :

Commissaires aux comptes :

KPMG Audit
Département de KPMG SA
1 Cours Valmy
92923 Paris La Défense Cedex

Mazars & Guérard
125, rue de Montreuil
75011 Paris

1.4 Date de constitution et d'expiration de l'émetteur :

L'AFD a été créée le 2 décembre 1941 pour une durée indéterminée.

- 1.5 Indication des lieux où peuvent être consultés les documents juridiques relatifs à l'émetteur (statuts, procès verbaux du conseil de surveillance, rapports des contrôleurs légaux) :

Au siège : 5, rue Roland Barthes, 75598 Paris Cedex 12 - France

2. Renseignements de caractère général concernant le capital

- 2.1 Montant du capital :

L'AFD n'a pas de capital social. Le montant de la dotation de l'AFD est de 400 millions d'euros.

- 2.2 Principaux actionnaires mentionnés dans le prospectus :

L'AFD n'a pas d'actionnaires mais est détenue à 100% par l'Etat Français.

3. Renseignements concernant l'activité de l'émetteur

Lorsque l'émetteur est à la tête d'un groupe, les renseignements prévus dans ce paragraphe sont fournis pour le groupe.

- 3.1 Bref descriptif de l'activité de l'émetteur et de son évolution :

Se reporter au Document de Référence de l'AFD relatif à l'exercice clos le 31 décembre 2002 qui a été déposé auprès de la Commission des opérations de bourse le 14 mai 2003 sous le numéro D.03-0697.

Ce Document de Référence est complété par les dispositions suivantes :

EVENEMENTS RECENTS

Le plan d'orientation stratégique adopté en mars 2002 pour la période 2002-2006 formule trois grands objectifs stratégiques pour l'Etablissement : (1) faire de l'AFD une agence de développement de référence mondiale au service du Sud et des ambitions internationales de la France ; (2) s'adapter, évoluer et innover dans l'Outre-mer tout en y demeurant un acteur de référence dans le financement de l'économie ; (3) développer les synergies entre ces deux univers. Ces objectifs ont été établis en conformité avec ceux donnés à l'AFD par ses tutelles dans la lettre de mission adressée en novembre 2001. Un premier bilan d'étape réalisé fin 2003 a montré que la quasi intégralité des objectifs est atteint ou en cours de l'être :

- *Les engagements 2003 font apparaître une meilleure sélectivité géographique et sectorielle des interventions de l'AFD. Ils ont été octroyés suivant une gamme de produits plus large, tenant compte du déliement de la totalité de l'aide projet gérée par l'AFD depuis février 2002 et de la révision des relations Etat / AFD qui permet à cette dernière une plus grande liberté d'action dans la limite d'un coût pour l'Etat exprimé en valeur actuelle nette (et non plus une limite en*

terme de volume d'engagement),

- *La contribution aux engagements internationaux et à la rénovation de l'aide et les partenariats se sont fortement développés,*
- *Les objectifs liés à l'organisation, la gouvernance, la qualité et la mesure des performances sont pour leur grande part atteints ou en bonne voie.*

L'année 2003 se caractérise par une progression substantielle de l'activité dans les pays étrangers, principalement en prêts, tandis que le volume d'engagement dans l'Outre-mer est stable par rapport à l'exercice précédent.

Un premier concours a été octroyé à la Chine en 2003 grâce à la modification des statuts de l'AFD intervenue en juillet 2003 qui autorise le Groupe à intervenir dans des pays n'appartenant pas à la zone de solidarité prioritaire.

L'année 2003 a par ailleurs été marquée par la cession en fin d'exercice des quatre sociétés départementales de crédit des DOM à la BRED et à la poursuite des négociations pour la cession des filiales bancaires des collectivités du Pacifique. Parallèlement, le refinancement bancaire, pour lequel l'AFD n'intervenait dans les DOM qu'au bénéfice de ses filiales, a été étendu, comme pour les collectivités du Pacifique, à l'ensemble des banques de la place.

PERSPECTIVES D'AVENIR

L'activité dans les pays étrangers devrait enregistrer une nouvelle croissance en 2004 tandis que l'activité outre-mer ralentirait suite à la cession des filiales.

L'ouverture de nouvelles géographies à l'activité du Groupe offre à l'AFD des opportunités de prêts plus importantes que sa zone d'intervention historique sur laquelle les interventions se font principalement sur dons. La liste des pays, situés en Asie et en Méditerranée, dans lesquels elle est à présent autorisée à intervenir a été arrêtée fin 2003 par les Tutelles. L'AFD a d'ores et déjà commencé un travail d'identification de projets qu'elle pourrait financer.

La réforme de la grille de produits de l'AFD entamée en 2002 sera poursuivie en 2004 afin d'améliorer le service apporté aux emprunteurs tout en diminuant le "coût Etat" des concours.

Le maintien d'un courant d'engagement significatif dans les pays à revenu intermédiaire les plus dynamiques conduira toutefois l'Agence à porter une attention particulière à l'évolution de ses fonds propres et à leur adaptation au niveau d'activité envisagé dans ces pays. Les fonds propres de l'AFD seront en effet diminués suite, d'une part, à la cession de ses filiales et, d'autre part, à la déqualification réglementaire

concernant l'inscription en fonds propres complémentaires de subventions reçues de l'Etat en bonification de certaines opérations.

Les opérations instruites dans le cadre de l'initiative Pays pauvres très endettés seront de plus en plus importantes, le nombre de pays éligibles ou dans le processus d'éligibilité augmentant. Les encours des pays entrés dans ce mécanisme sortiront par ailleurs des risques de l'AFD, une convention Etat/AFD prévoyant que l'Etat octroie, pays par pays, sa garantie à l'encours entrant dans le périmètre du mécanisme de refinancement et ce, à partir de l'atteinte du point d'achèvement par le pays bénéficiaire.

Pour l'Outre-mer, les axes d'intervention retenus sont la poursuite du financement de l'économie et le développement du rôle de conseil et d'appui aux pouvoirs publics. La mise en place de nouveaux produits concessionnels est étudiée, à destination, d'une part, des collectivités locales pour le financement d'investissements auxquels l'Etat souhaite apporter son soutien et, d'autre part, des banques : la cession des sociétés départementales de crédit fin 2003 a conduit à renforcer le rôle d'établissement de place qui est dévolu à l'AFD. Ainsi, la mise en place de lignes de crédit bonifiées à l'ensemble des banques de l'Outre-mer devient un instrument central de l'action de l'AFD afin de continuer à soutenir le secteur productif constitué des petites et moyennes entreprises.

- 3.2 Indication de tout événement exceptionnel ou d'opération prévue de toute nature ainsi que de tout litige susceptible d'avoir ou ayant eu dans un passé récent une incidence significative sur la situation financière de l'émetteur, son activité, et le cas échéant sur son groupe, et qui ont été présentés comme tels dans le prospectus :

Se reporter au Document de Référence de l'AFD relatif à l'exercice clos le 31 décembre 2002 qui a été déposé auprès de la Commission des opérations de bourse le 14 mai 2003 sous le numéro D.03-0697.

C - SITUATION FINANCIERE DE L'EMETTEUR

1. Chiffres-clés du bilan : tableau synthétique de l'endettement et des fonds propres établi, le cas échéant sur une base consolidée, et disponible à la date de la situation la plus récente établie ou à défaut à la date du dernier bilan présenté.

TABLE DE CAPITALISATION

Au 30 juin 2003

		Total (K€)
1) Endettement à court terme		–
Endettement à moyen et long terme (supérieur à 1 an)		
Emissions non subordonnées		8 527 962,12
Emissions subordonnées Tier 2		895 712,12
Autres émissions subordonnées		510 783,48
2) Endettement à moyen et long terme (supérieur à 1 an)		9 934 457,73
Capitaux propres		
Dotations de l'Etat		400 000
Réserves		689 200
Subventions		350 041
3) Total des capitaux propres		1 439 241
(1) + (2) + (3) CAPITALISATION (TOTAL)		11 373 698,73

Il n'y a pas eu de changement significatif dans l'endettement de l'Emetteur depuis le 30 juin 2003, autre que les émissions suivantes réalisées par l'AfD :

- GBP 25 000 000 4,93% Maturité 2011
- USD 50 000 000 4,36% Maturité 2011
- HKD 200,000,000 2,43% Maturité 2007

et la présente émission de Titres d'un montant nominal total de EUR 300 000 000.

2. Le cas échéant, observations, réserves ou refus de certifications des contrôleurs légaux : si les certifications sur les derniers comptes présentés dans le prospectus ont été refusées par les contrôleurs légaux ou si elles comportent des réserves ou des observations, ce refus, ces réserves ou ces observations doivent être reproduites intégralement : Sans remettre en cause la conclusion exprimée dans le rapport des commissaires aux comptes sur l'examen limité des comptes semestriels consolidés arrêtés au 30 juin 2003, les commissaires aux comptes de l'Emetteur attirent votre attention sur la partie 1 de l'annexe qui expose un changement de méthode comptable lié à la première application du règlement CRC n°2002-03 relatif au traitement comptable du risque de crédit.

USE OF PROCEEDS

The net proceeds of the issue of the Notes amount to €300,000,000 and will be used by the Issuer to strengthen its equity in order to cover, in terms of its control ratio for major risks, the increase of its loan activity, in line with guidelines set out by the French government.

INFORMATION RELATING TO SOLVENCY RATIOS AND ISSUES OF SECURITIES QUALIFYING AS TIER 1

European Solvency Ratio Equivalent ("ESR Equivalent")

The Issuer's ESR Equivalent (equal to 8% of the CAD Coverage Ratio as defined below) as of 31 December 2002 was 38.64%, including a Tier 1 Ratio Equivalent (equal to 8% of the Tier 1 Coverage Ratio as defined below) of 22.53%. As of 30 June 2003, the Issuer's ESR Equivalent was 41.02%, including a Tier 1 Ratio Equivalent of 24.31%.

Capital adequacy

In 1988, the Basle Committee on Banking Regulations and Supervisory Practices (the "**Basle Committee**"), consisting of representatives of the central banks and supervisory authorities from the "Group of ten countries" (comprised today of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the UK and the US) and from Luxembourg and Switzerland, recommended the adoption of a set of standards for risk-weighting and minimum desired levels of regulatory capital. Under these recommendations, international credit institutions must maintain capital equal to a minimum of 8% of their total credit risks (also known as the Cooke ratio), 4% of which must be Tier 1 capital. In 1989, the Council of the European Community adopted two regulatory directives that set the framework of capital adequacy with respect to credit risks (also known as the European solvency ratio or ESR) within the European Community.

Two significant amendments have since been made to the standards previously introduced: first, at European level, by the "**European Capital Adequacy Directive**", and second, at the international level, by the Basle Committee's adoption of revised BIS (Bank for International Settlements) standards.

The European Capital Adequacy Directive

General features

In 1993, the European capital adequacy directives applying to investment firms and credit institutions extended the scope of application of the European capital adequacy regulations to include market risks.

In France, these directives have been implemented through a series of regulations successively adopted by the *Comité de la Réglementation Bancaire et Financière* (collectively referred to as the "**CAD Regulations**").

Since 1 January 1996, under CAD Regulations, French banks have been subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of their commercial banking activities.

In addition to credit risk, the CAD Regulations specify standards for investment entities' trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulations also require banks to maintain additional capital measured by reference to the foreign exchange risk of all their activities, including commercial banking and trading. Under the CAD Regulations, a French bank's capital adequacy ratio ("**CAD Coverage Ratio**") is calculated by dividing the total available capital (including capital classified as Tier 1 and Tier 2 and certain other items) by the amount of capital required in respect of the different types of risk to which it is exposed, each type of risk being evaluated on the basis of specific weightings whose rates are fixed according to a predetermined scale. In compliance with CAD Regulations, the CAD Coverage Ratio must be at least equal to 100%.

At 31 December 2002, the Issuer's CAD Coverage Ratio and ESR Equivalent stood at 483% and 38,64% respectively (compared with 467% and 37.33% respectively at 31 December 2001).

AFD Group / CAD Coverage Ratio

In K €	30/06/2003	31/12/2002	31/12/2001	31/12/2000
Credit risks				
Total weighted risks	7,369,031	7,451,339	7,467,625	6,642,941
Capital requirement for credit risk	7,369,031	7,451,339	7,467,625	6,642,941
Market risks ⁽¹⁾	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
Total capital requirement	589,522	596,107	597,410	531,435
Available Capital				
tier 1	1,791,424	1,678,583	1,589,419	1,435,458
tier 2 ⁽²⁾	1,245,753	1,222,865	1,237,206	1,216,205
tier 3	0	0	0	0
Deductions	-14,722	-22,290	-38,920	-56,662
Total available capital	3,022,455	2,879,158	2,787,705	2,595,001
Ratios				
CAD	512.70%	482.99%	466.63%	488.30%
ESR Equivalent	41.02%	38.64%	37.33%	39.06%
Tier 1	303.88%	281.59%	266.05%	270.11%
TIER 1 Equivalent	24.31%	22.53%	21.28%	21.61%

(1) Not applicable, cf. CRBF 95-02

(2) Tier 2 = 50% x Tier 1 + Governmental Subsidies

The International Solvency Ratio

General features

In 1996, the Basle Committee significantly amended the BIS standards to provide a specific capital cushion for market risks in addition to banks' credit risks. This amendment defines market risks as (i) the risks pertaining to interest rate-related instruments and equity positions in a bank's trading book; and (ii) foreign exchange risks and commodities risks held on the bank's books. As amended in 1996 and refined in September 1997 by the Basle Committee, the revised BIS standards continue to require a capital ratio with respect to credit risks. In addition, they require a credit institution to quantify its market risks in figures equivalent to credit risks and to maintain a capital ratio of 8% with respect to the sum of its credit and market risks. The French *Commission Bancaire* (Banking Commission) regularly issues opinions regarding the application and calculation of the International Solvency Ratio (*Notices Méthodologiques*). Nevertheless, the International Solvency Ratio has no regulatory force.

The Issuer has never calculated its International Solvency Ratio since it is not required by the French *Commission Bancaire* for banks with limited international operations such as the Issuer.

It is generally believed however that the CAD Coverage Ratio or its ESR Equivalent enable a correct and full appreciation of a French bank's credit risks as well as market risks. It is also generally believed that the ESR equivalent of the CAD Coverage Ratio is very close to what would be the International Solvency Ratio.

Planned reform of BIS standards

Since 1998, the Basle Committee has been studying a reform of its recommendations with regard to the international bank solvency ratios. This reform would replace the current agreement by a new one based on a more qualitative approach to the measurement of risk exposure. In the latest version of its proposal, the Basle Committee proposes to assess credit risk on the basis of one of the following two methods: a "standard" method relying on a weighting matrix depending on external ratings of counterparties, distinguished between governments, banks, public bodies and business enterprises; and the second, "alternative", method relying on banks' internal scoring methods, which are required to take into account the probability of default, risk exposure and loan recovery rates. In addition, the new ratio would cover banks' operational risks, i.e. risks of malfunction and legal risks. The reform also stresses the role of internal capital adequacy control procedures and the disclosure obligations regarding the structure and allocation of capital and on risk exposure.

Following consultation initiated in January 2001, the Basle Committee received more than 250 comments and therefore decided to launch a study, between October and December 2002, of the impact of the envisaged new mechanism on data at 31 March 2002. Further consultations with the banking industry will have taken place in the second quarter of 2003, based on a consultative document circulated in May 2003.

Introduction is planned for 31 December 2006, following a year (2006) in which both ratios (the existing Cooke ratio and the McDonough reform) will be calculated.

The total available capital of AFD Group can be detailed as follows:

In K €	30/06/2003
Capital	1,204,287
<i>including results</i>	<i>37,462</i>
Minority interests	86,403
Reserve for general banking risks	517,458
Deductions of intangible assets and goodwill	-16,724
TIER 1	1,791,424
Subordinated debt	895,712
Public subsidy	350,041*
TIER 2	1,245,753
Deductions of holdings in credit institutions	-14,722
Total deductions	-14,722
Total available capital	3,022,455

* Will no longer be shown in the annual accounts ended 31 December 2003 (see section "Recent developments and outlook for the future" of this Offering Circular).

The tier 2 component of the total available capital of AFD Group as at 30/06/2003 can be detailed as follows:

<i>Issue date</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Subordinated debt (K€)</i>
Dated subordinated debt			
30/06/1998	2008-2028	0.25%	30,490
31/12/1998	2009-2028	0.25%	45,735
31/12/1998	2008-2018	0.92%	886,491
30/06/1999	2009-2029	0.25%	54,882
31/12/1999	2010-2029	0.25%	26,831
30/06/2000	2010-2030	0.25%	76,225
31/12/2000	2011-2030	0.25%	15,245
30/06/2001	2011-2031	0.25%	133,402
31/12/2001	2012-2031	0.25%	41,914
30/06/2002	2012-2032	0.25%	34,302
30/06/2003	2013-2033	0.25%	60,980
			1,406,496
			<i>Amount eligible as tier 2 (K€)</i>
			895,712

The subordinated debt comprises 11 tranches redeemable semi-annually from year 10 to year 30.

The tier 2 component amounting to 895,712,000 euros complies with the following regulatory requirements:

- the rate of amortisation is set at 20% per annum in the last five years of each instalment;
- it shall not exceed the sum of 50% of the core capital.

CAPITALISATION

As at 30 June 2003

Total (K€)		
1) Short term borrowings		–
Medium and long term borrowings (more than 1 year)		
Unsubordinated Issues		8,527,962.12
Tier 2 Subordinated Issues		895,712.12
Other subordinated Issues		510,783.48
2) Medium and long term borrowings (more than 1 year)		9,934,457.73
Own Funds		
Capital invested by state		400,000
Retained earnings		689,200
Subsidies		350,041
3) Total Own funds		1,439,241
(1) + (2) + (3) TOTAL CAPITALISATION		11,373,698.73

There has been no material change in the borrowings of the Issuer since 30 June 2003, other than the following issues by AfD:

- GBP 25,000,000 4.93 per cent. Notes due 2011
- USD 50,000,000 4.36 per cent. Notes due 2011
- HKD 200,000,000 2.43 per cent. Notes due 2007

and the present issue of Notes of a total nominal amount of EUR 300,000,000.

AGENCE FRANCAISE DE DEVELOPPEMENT

INTRODUCTION

The Agence Française de Développement ("AfD") is, according to *Décret* no. 92-1176 of 30th October, 1992, an autonomous public industrial and commercial institution (*établissement public à caractère industriel et commercial* – EPIC). Founded in London by an *ordonnance* dated 2nd December, 1941 for an indefinite term under the name *Caisse Centrale de la France Libre*, it was renamed *Caisse Centrale de la France d'Outre Mer* by an *ordonnance* dated 2nd February, 1944 and then *Caisse Centrale de Coopération Economique* by an *ordonnance* of 30th December, 1958. It changed its name to *Caisse Française de Développement* by a *Décret* dated 30th October, 1992, which also redefined its activities and was subsequently renamed *Agence Française de Développement* pursuant to the *Décret* no. 98-294 of 17th April, 1998. By a *Décret* no. 2000-878 dated 11th September, 2000 it changed its *status* to conform to the new cooperation regulation passed in 1999.

Under the provisions of the law on the banking sector dated 24th January, 1984, the AfD is an *Institution Financière Spécialisée* (IFS) with a permanent mission in the public interest to promote economic development in developing countries and in the French Overseas Departments and Territories. The AfD group of companies (the "Group" or the "AfD Group") comprises eight credit institutions, two regional development corporations and three housing development companies.

The AfD operates in over 54 countries in sub-Saharan Africa, the Maghreb, Lebanon and Palestine, the Indian Ocean, the Pacific, the Caribbean and Asia.

It has 42 local offices: 33 in foreign countries, four in the Overseas Departments, three in the Overseas Territories and two in the overseas Territorial Communities.

The AfD's headquarters are at 5, rue Roland Barthes, 75012 Paris.

CAPITAL FUNDS

Being a public entity, the AfD has no share capital. Its capital funds were originally provided by the French State and currently amount to euro 400,000,000. These funds may be increased by the capitalisation of reserves pursuant to a decision taken by the Supervisory Board (*Conseil de Surveillance*) of AfD and approved by the French Minister of Economic Affairs, Finance and Industry. These funds may also be increased by the allocation of public funds to AfD in accordance with applicable laws or regulations.

INDEBTEDNESS

The outstanding non-consolidated long-term debt as of 30 June 2003 amounted to:

- euro 5,036,916,810, for guaranteed debt; and
- euro 2,834,063,899, for non-guaranteed debt

and euro 2,158,424,958 consisted of borrowings from the Treasury.

There has been no material change in the capital funds referred to above or in this indebtedness since 30 June 2003, other than the following issues by AfD:

- GBP 25,000,000 4.93 per cent. Notes due 2011
- USD 50,000,000 4.36 per cent. Notes due 2011
- HKD 200,000,000 2.43 per cent. Notes due 2007.

DESCRIPTION OF AfD

Business and Activities

The AfD's operations can be divided into two main areas (a) those it carries out on its own account, both in foreign countries and in the French Overseas Department and Territories, and (b) those it carries out on behalf of third parties.

(a) Activities on AfD's Own Account

The AfD grants long-term loans and subsidies in support of economic development in the various foreign countries where it operates, largely for public or private capital investment. Over the past three years, commitments for the funding of various projects have averaged euro 672 million annually, made up of euro 518 million on concessionary terms (euro 167 million in the form of subsidies) and euro 155 million in loans close to those of the market. The balance outstanding on loans related to this activity stood at euro 4.5 billion at 31st December, 2002.

The AfD is responsible for the administration of structural adjustment funding in countries to which the French Government decides to allocate special support. This funding is granted, in the form of loans or subsidies, to support national economic and financial recovery programmes. Over the past three years, commitments for this purpose have averaged euro 81 million annually, including euro 20 million in subsidies. The balance outstanding on loans related to this activity, which are guaranteed by the Republic of France, stood at 2,700 million at 31st December, 2002.

Group funding of private enterprise projects is largely carried out through the AfD's subsidiary PROPARCO (*Société de Promotion et de Participation pour la Coopération Economique*). PROPARCO, with a share capital increased in 2001 from euro 72 million to euro 142.56 million, has outside shareholders, composed of financial institutions and industrial groups. PROPARCO's funding takes the form of acquisitions of shares (total investment at 31st December, 2002: euro 66 million) and medium – and long term loans (balance outstanding at 31st December, 2002: euro 505 million).

The AfD also operates in the French Overseas Department and Territories. It finances investment through public and private enterprise and the capital development programmes of local authorities. Over the past three years, commitments for this funding have averaged euro 547 million annually; the balance outstanding on loans stood at euro 3.0 billion at 31st December, 2002.

In the French Overseas Territories, part of the AfD's funding is channelled through the local credit institutions in the Group: *Banque SOCREDO* in French Polynesia, *Banque Calédonienne d'Investissement – (BCI)* in New Caledonia and *Société de Développement et d'Expansion du Pacifique* (SODEP). The main sectors of industry which are supported are energy, transport and tourism, together with the development of public infrastructure.

In the French Overseas Departments, the AfD operates largely through four local credit banks in the Group: SODEGA (*Société de Crédit pour le Développement de la Guadeloupe*), SODEMA (*Société de Crédit pour le Développement de la Martinique*), SOFIDEG (*Société Financière pour le Développement de la Guyane*) and SOFIDER (*Société Financière pour le développement de la Réunion*). Since 1995 AfD has also taken over control of SODERAG (*Société de Développement Régional Antilles-Guyane*) and SODERE (*Société de Développement Régional de la Réunion*).

Finally, the AfD helps to provide initial and further training for senior personnel from developing countries, through CEFEB (*Centre d'Etudes Financières, Economiques et Bancaires*), a training centre which it founded in 1961.

(b) Activities on behalf of third parties

On behalf of the Ministry of Foreign Affairs, the AfD administers loans and subsidies for various development projects. It also assists in the management of certain aid granted by the French Ministry of Economic Affairs, Finance and Industry.

The AfD acts as a paying agent for the distribution of public funds, notable from the *Fonds de Solidarité Prioritaire*, on behalf of the French Ministry of Cooperation and the Francophone Area. It contributes, on behalf of the French State, to the International Monetary Fund's Poverty Reduction and Growth Facility (PRGF).

Employees

At 31st December, 2002, AfD had 1,371 employees, 949 of whom were members of general staff and 422 of whom were employed locally.

Investments

The acquisition of SODERAG by AfD having been completed in 1997, the liquidation of that company was pronounced on 17th July 1998.

AfD's take-over of SODERE in 2000 will take the form of a merger between SOFIDER and SODERE in 2001.

Financial statements

The financial year of the AfD runs from 1st January to 31st December.

The accounts of the AfD are audited by statutory auditors appointed by the AfD's *Conseil de Surveillance*.

In accordance with French Law, a *Commissaire de Gouvernement* is appointed by the French Government to ensure that the activities of the AfD conform to its statutory purpose.

The AfD is also subject to supervision by the *Cour des Comptes*, which is an administrative tribunal appointed to examine the management of public funds.

The AfD is not required to pay taxes on income received through its development aid activity.

Risk exposure

Paragraph 4.7 (AFD's Risk exposure) of the *Document de Référence*/Financial Report of the Issuer has been updated as at 30 June 2003 as follows:

4.7 – The AFD's risk exposure

4.7.1 – Market risk (interest and exchange rates, shares, credit)

INTERNAL CONTROL AND RISK MONITORING

The AFD's internal control system consists of various elements set out in the provisions of Regulation 97-02 of the Financial and Banking Statutory Committee (CRBF), notably the set of procedures, the accounting system and data processing (Treasury and Financial Services Department and Management Systems Department), risk measurement, monitoring and management systems (Risk Management Department).

The internal control system consists of the following:

- A permanent control system in operational departments to ensure the compliance, security and validation of transactions and due diligence in performing the risk monitoring tasks associated with these transactions. The AFD's Executive Board and management as a whole are responsible for implementing these controls.
- The effectiveness of the permanent controls is evaluated periodically by management. This function is exercised by the Internal Audit Division, which is independent of the operational and service departments and has been directly attached to the Executive Board since 2002.
- In addition, the Director of the Internal Control Department, appointed by the AFD's Chief Executive Officer in accordance with Article 8 of CRBF Regulation 97-02, is responsible for ensuring the consistency and application of the system and reporting twice a year thereon to the Supervisory Board (annual report and interim report).

In addition, a three-member Audit Committee, one member nominated by the Chief Executive Officer and two appointed externally for their expertise, was created at the beginning of 2002. It is primarily responsible to the Supervisory Board (i) for verifying the transparency of the information provided and expressing an opinion on the accounting methods adopted, and (ii) for assessing the quality of the internal controls, the consistency of systems for measuring, monitoring and controlling risk and, if necessary, further action.

These various measures include the statutory requirements concerning supervision of consolidated subsidiaries.

Financial risk management (liquidity, global interest rate, exchange rate, counterpart risk on financial instruments) is assured by the Finance Department. These risks are monitored using a system of indicators and limits, regularly reported to the Executive Board, updated and approved by the Supervisory Board at least once a year.

Credit risk monitoring is the responsibility of the operational services, the Risk Management Department, and a Risk Management Committee created in September 2000.

The Supervisory Board receives annual reports on all these activities, in the form of reports on treasury management, internal controls, risk monitoring and asset management.

Monitoring of credit risks

The Group's credit risk monitoring system comes under the responsibility of the Risk Management Committee, whose remit is as follows:

- The supervision of the Group's major sovereign and non-sovereign risks,
- The fixing and monitoring, for non-sovereign risks, of counterpart limits,
- Risk rating (companies, credit institutions, local authorities, etc.),
- Monitoring of risk cover (guarantees and provisions),
- Elaboration of a country risk classification matrix and determination of the rate of the country risk,
- Monitoring of unpaid debts and compromised financing,
- Coordination of the legal function and monitoring of legal risks within the Group.

The monitoring of credit risks, for the AFD and its subsidiary PROPARCO, is centred on:

- an analysis of the projects conducted by the operational services. The Risk Management Department carries out a separate and autonomous risk analysis and formulates a second opinion. Each project is examined by an Operations Committee (in the case of the AFD) and a Project Committee (in the case of PROPARCO),
- a monitoring and rating by the operational services of the loans granted. The Risk Management Department is responsible for this monitoring.

The AFD's financial subsidiaries also possess credit risk monitoring tools in compliance with the banking regulations. In particular, they possess a Risk Management Committee and have set up an automated credit risk rating system.

The Group monitors the major risks of the subsidiaries twice-yearly on the basis of a tool centralising all client loans of each subsidiary in excess of 1.5 M€.

Risks in foreign countries

The Group's foreign country risks are borne by the AFD and PROPARCO. The diversity of the missions entrusted to the Group has led to the segmentation of risks on loans incurred into various categories.

Certain loans on its account are without risk for the Group. These are:

- Cancelled loans (cancellation of debts decided by the French Government: 1979 UNCTAD, 1989 Dakar 1, 1994 Dakar 2),
- Loans guaranteed by the French State – for the most part structural adjustment funding.

In funding at the Group's risk a distinction is made between:

- Sovereign loans granted to a foreign state or guaranteed by a foreign state. Such funding may be eligible for debt relief decided by the Paris Club; and
- Non-sovereign loans granted to companies in the private or public sector not guaranteed by a foreign state. Such funding is in theory not eligible under the terms of the Paris Club.

The AFD's risk management is adapted to the nature of the risk:

- For sovereign loans, the regular flow of projects creates a situation in which the State simultaneously contracts new loans and reimburses numerous old loans. For this kind of funding, the AFD has devised a system adapted to this risk category.
- In the case of non-sovereign loans, the Group may suspend commitments and disbursements in the event that the borrower fails to respect its contractual obligations. Moreover, any new loan is subject to the respect of previous obligations and to the appraisal of the financial situation. In addition, the Risk Management Committee sets limits to the amount of risk taken per beneficiary on non-sovereign loans (cf. the Committee's remit above). Thus the financial institutions and companies, with whom the AFD has, or plans to have, financial relations, are submitted to a global evaluation of the non-sovereign credit risks involved. A centralised and permanent system for evaluating the Group's non-sovereign credit risks has been set up for this purpose.

This system also constitutes a decision-making tool for the individualised supply of non-sovereign loans and shareholdings to balance sheet assets. Loans and credits rated under the rating system as presenting significant risk are downgraded (even in the absence of arrears) and partial or full provision is made in respect of the outstanding principal amount net of the guarantees received, fixed by the Risk Management Committee. The balance disburseable for these loans is, moreover, supplied at the rate applied to the capital remaining due. Doubtful debts also include debts characterised as doubtful in the sense of the banking regulations (arrears of more than 3, 6 or 9 months depending on the nature of the debt).

In compliance with banking regulations, the AFD also evaluates, according to its own rules, country risk and determines the funding rate for the corresponding country risk.

- For sovereign loans, the funding rates adopted are based on the record of debt relief data up to the present time and for which the AFD has been compensated by the State, and the Executive Board's decision to cautiously cover previous arrears, by definition high loss risk. The funding rates applied to the sovereign loans are thus standard rates, depending on the presence or otherwise of arrears, and of the anteriority of such arrears.
- For non-sovereign loans, the evaluation is based on a comparison of the experience acquired within the AFD with currently available data concerning the level of risk per group of country. Thus, in the case of non-sovereign risks, the rates adopted in country risk are decided by the Risk Management Committee and reviewed after each re-evaluation of funding (half-yearly).

Risk in the Overseas Departments and Territories

In overseas France, the Group's credit risks are borne by the parent company and all its financial and banking subsidiaries⁽¹⁾.

The AFD grants direct loans to the local authorities of this zone.

⁽¹⁾ PROPARCO makes investments and participating loans in the Overseas Departments and Territories, but only small sums are involved.

Private sector financing is the prior responsibility of the Group's banking and financial subsidiaries. In the absence of a local subsidiary, as in Saint Pierre and Miquelon, the AFD nevertheless accords direct financing to companies. It also retains, for the funding of substantial sums, a direct loan activity covering the entire overseas France geographical zone. For the most part, it exercises this activity by sharing risk with its subsidiaries in the overseas departments, on its own or cofinancing with the Group's banking subsidiaries or with commercial banks in the overseas territories.

The Group's risk on this zone is increased by the risks related to the acquisition, at the State's request, of SODERAG, a company in liquidation.

The risks on this zone are monitored by each of the Group's entities, the Risk Management Committee and the Risk Management Department of the AFD being responsible for following up the Group's consolidated risks:

- As with funding in foreign countries, the parent company's risk is monitored by the Risk Management Committee and by a rating, if required giving rise to the provision of assets (there is no specific provision for healthy funding).
- The banking and financial subsidiaries have set up their own tools for monitoring risks.
- The risks connected with the acquisition of SODERAG (recovery of the loans made to the Antilles-French Guiana subsidiaries, cover of SODERAG's net situation, ongoing legal proceedings) are covered by provisions whose amount is regularly evaluated, in particular by the AFD, in accordance with the procedure set out in 2001.

In all, the Group's credit risk (excluding cancelled and guaranteed loans) comes to 7.9 Bn€, of which 3.8 Bn€ in foreign countries and 4.1 Bn€ in the overseas departments and territories. The Group's credit risk mostly falls on the parent company (5.5 Bn€, i.e. 70% of risks).

As at 30 June 2003, the Group's risk per geographical zone breaks down as follows:

	Lending
Foreign countries	3 806
Africa	2 518
Mediterranean	938
Asia	149
Other	201
Overseas Departments	1 933
Overseas Territories	2 132
Total Group risk	7 872

The Group's doubtful debt amounts to 1.4 Bn€ at 30 June 2003, including 0.8 Bn€ of sovereign debt and 0.6 Bn€ of non-sovereign debt. The decrease of the sovereign doubtful debt is the result of the treatment in Paris Club of the arrears of Democratic Republic of Congo and of Cameroon. The sovereign doubtful debt is covered by provisions to the extent of 41%, while non-sovereign doubtful debt is covered to the extent of 79%.

Control Ratio for Major Risks

The AFD Group was in compliance with the control ratio for major risks at 30 June 2003.

With regard to the AFD, the weighted amounts on the heaviest borrowers, in the sense of CRBF regulation 93-05 of 21 December 1993 and its successive amendments, are as follows at 30 June 2003 :

- Kingdom of Morocco 582 M€
- Republic of Tunisia 529 M€
- Republic of Cameroon 320 M€

These risks, calculated net of the recorded provisions and the guarantees received, respect the major individual risk ratio of the banking regulations (maximum 25% of consolidated equity).

European solvency ratio

The European solvency ratio, which is set at a minimum of 8%, was 41.02% for the AFD at 30 June 2003 compared to 38.64% at 31 December 2002.

Global interest rate risk, exchange rate risk, liquidity risk and market risk

The Assets and Liabilities Management Department was set up at the end of 1996 and has produced an internal reference report setting out, for the AFD's activity on its own account, the balances, static projections (distribution of stock) and dynamic projections (new production), break-even ratios and actuarial margins. This department is responsible for updating the data thus produced and for evaluating the margins per product, based on a definition of internal transfer rate.

A preliminary evaluation of the contribution of products to the margin was carried out by using the AFD's actuarial equilibrium model (MEAC). This model calculates the net added value for each product in function of the structure and the cost of the resources, and of a standard arrears rate, representative of the establishment's funding rules. It thus evaluates the projected profitability of a product line, plus, for each product, the cost to the State in the form of relative cost, compared to a market resource, subsidies and loans from the Treasury. In 2002, the MEAC model was replaced by a new software program of assets-liabilities management and margin analysis (GAPEM) which is able to analyse margins and produce projected working accounts in addition to the assets-liabilities management functions.

The reports of the Assets and Liabilities Management Department are submitted to the AFD Supervisory Board after approval by the Assets and Liabilities Management Committee created at the beginning of 1998. This Committee is in charge of:

- The management of interest rate, liquidity, counterpart and exchange rate risks with respect to the AFD's social report, the balance sheet monitored on a consolidated basis (AFD, PROPARCO, SODERE), the social reports of the fully consolidated subsidiaries (PROPARCO, SODERE);
- The monitoring of the risk management of the other subsidiaries;
- The follow-up of the risk management indicator and the respect of operational and statutory limits;
- The examination of financial management guideline proposals (own risks, State risks, pricing) and the associated indicators and limits, the selection of subjects requiring the intervention of the AFD's governing bodies, the preparation of social and statutory reports.

The Committee convenes once a year (or by request) on the basis of annual Assets and Liabilities management reports, annual treasury and financing management report, indicators concerning risk management and the respect of limits.

The Committee is chaired by the Chief Executive Officer and consists of the Deputy Chief Executive Officer, the Secretary General, the operational and strategic executive managers, the Financial Manager and his financial assistant, the Risk Department Manager and, if required, the Manager of PROPARCO.

The fully consolidated financial subsidiaries, including PROPARCO, are monitored by the AFD in terms of global interest rate risk. The other financial subsidiaries, consolidated proportionally or by the equity method, apply internally the provisions of CRBF regulation 97-02. Given their relatively light weight (7% of the consolidated balance sheet), their liquidity and rate risks are monitored directly and not at consolidated level. The BCI and SOCREDO possess their own management tool, have established their assets-liabilities committee and have set up their own system of limits which has won AFD approval. A

simplified assets-liabilities management module allows credit companies to monitor their risks and to report on them to the Head Office. A series of limits has been simultaneously introduced and is currently being validated by their Board of Directors.

The reporting carried out by the financial subsidiaries allows the AFD to effect global supervision to ensure that internal control and risk monitoring are consistent with the Group's standards and methods in those areas.

For the purposes of Assets and Liabilities management analysis (AFD's activity on its own behalf), the activity is divided into cantons⁽²⁾ depending on the nature of the resources and the financing rules of the associated loans. There are loans attached to a single resource (treasury loans or loans subsidised by the treasury, loans raised on the market), to two resources and, since 1992, mixed loans combining more than two resources. The mixed loans are broken down by nature of resource.

For each balance sheet canton, the liquidity and rate risks, together with the net economic value, are evaluated from the following parameters:

- The outstanding principal amount at a given date and its evolution, giving a picture of a canton's balance or imbalance;
- The future capital flows making it possible to measure the treasury deficits (excess of liquidity or refinancing requirements) and the associated rate risk;
- The current assets-liabilities net value of capital and interest giving the economic value of the cantons and their contribution to the economic value of the balance sheet;
- Lastly, the comparison over time, making it possible to check a canton's degree of insensitivity to rate variations.

Liquidity risk

Liquidity risk is monitored using statutory and operational ratios.

For the AFD, it comes firstly from the difference between the flow of loan reimbursements and borrowings and secondly from the uncertainty attached to the amount of loan reimbursements.

In the current loan-borrowing structure, and with the exception of the canton relating to borrowings from treasury (RCS), the existence of redeemable loans and final borrowings automatically generates, for a loan, a surplus and then a deficit of liquidity and these surpluses of liquidity are found in the working capital.

The working capital must also make it possible to appraise, firstly the difference between loan issues and maturities, spread throughout the year, and the loan maturities concentrated on April and October, and secondly late payments.

Excluding specific new commitments, the AFD's medium-term liquidity risk is therefore low.

The AFD is globally covered against global liquidity risk, the three-year break-even ratio net of theoretical arrears (10% global ratio), calculated on the stock and the amounts disbursable before new borrowings, excluding RCS, being limited to 930 M€ as at 30 June 2003 (vs. 953 M€ at the end of 2002).

For the AFD Group, the ratio of equity to long-term capital was 80.85% at end 2002, against a statutory minimum of 60%. The operational indicators set an average working capital target and have a short-term cover ratio of 100% of liabilities falling due within three months, and, in the medium term, monitoring of a three-year break-even ratio. The liquidity ratio and the monitoring ratios laid down in Regulation CRBF No. 88-01 have been observed throughout the period.

⁽²⁾ A canton is a sub-category of the balance sheet grouping one type of resource or use (loans) which it refines by regulation or convention.

Global interest rate risk

This risk is monitored in the context of assets and liabilities management⁽³⁾, both for the AFD and its fully consolidated financial subsidiaries.

It is expressed by the sensitivity of the present and future results and net economic value of the balance sheet or a canton to rate variations on the financial markets. This sensitivity may be the result of the differences between the structure of loans and borrowings (duration differences) and conditions of working capital use (short-term investments, financing of loans or investment) together with off-balance sheet commitments.

The AFD's activities are essentially fixed rate, and loans granted at variable rates account for less than 5% of total lending and are backed by resources of the same kind.

The AFD does not incur any risk in respect of its activities on behalf of the State, notably financing of the IMF-PRGF where the costs are wholly borne by the State, or on loans financed wholly or partly by state-subsidised loans. Thus the entirety of activities where the AFD does not bear interest rate risks amounts to 7.4 Bn€ as at 30 June 2003, including activities on its own account financed from subsidised sources and all activities on behalf of third parties.

On the other hand, interest rate risk on loans at market or near-market rates, on subsidised loans in overseas France from 1 January 2001⁽⁴⁾ and structural adjustment loans, or 6.5 Bn€ as at 30 June 2003, is managed by the AFD mainly by matching resources to applications and by hedging operations involving interest rate and currency swaps.

The interest rate risk in different sectors of activity and the AFD global interest rate risk are monitored by indicators of the balance of asset and liability maturities and interest rate margin sensitivity:

- The working capital maturity, determined by calculating the economic value of the balance sheet items and their maturity, measures the average maturity of working capital investments ensuring the balance of all amounts due; this has been fixed by the AFD at about 5 years in order to favour revenue stability. In 2002, the net working capital value was 3.6 Bn€ with a maturity of 5.2 years.
- The sensitivity of the net interest margin is characterised by the variation, in absolute value and in percentage, of the net interest margin over 3 years in function of a homothetic interest rate variation conventionally fixed at 1%. In the short term, such a variation of the interest rate has a direct impact on the working capital portfolio and the investment portfolio maturities which will be reinvested at a different rate from that of the original portfolio, as well as from the reinvestment of liquidities from certain cantons. On 30 June 2003, the three-year interest rate sensitivity of the AFD for homothetic interest rate variation of 1% is evaluated at 1.1 M€, i.e. 0.5% of the total margin, after allowing for new production.

Exchange rate risk

The exchange rate risk is the loss risk on financial instruments and the margin linked to an unfavourable exchange rate evolution. This risk is measured by the position not covered in currency (individual currency position and global position), which must be less than 25M€ on a quarterly average. On 30 June 2003, the AFD was in full compliance with these limits.

In point of fact, the AFD's assets are mostly denominated in euros and strictly financed in euros, after currency swaps where appropriate. In 1997, the AFD liquidated all its exchange rate positions guaranteed by the State and repaid the residual gains to the Treasury. Following that operation, only SDRs and IMF-PRGF funding was covered by the State's exchange rate guarantee. Loans in US dollars are financed in dollars or hedged by financial futures.

⁽³⁾ Assets and Liabilities management is not a profit centre for the AFD.

⁽⁴⁾ At that date, the system of subsidised borrowing was replaced by a system of subsidised lending. This is thus no longer the rate borne by the AFD to refinance its loans in this area which is subsidised, but the sortie rate for loans granted to recipients.

Capital adequacy

The AFD positions place it below the threshold of application of CRBF Regulation 95-02 on capital adequacy.

Counterpart risks

The counterpart risk results from the default of the counterpart on the rate and currency exchanges contracted with respect to the management of debt and treasury (annuities), and on short-term investments and the investment portfolio. In financial management, it is the counterpart of the credit risk on the lending activity.

Counterpart risk on financial instruments is managed by means of counterpart indicators and regularly updated limits.

In order to comply with the regulations and practices currently in force, the AFD overhauled its counterpart risk management system on its market activity at the end of 1998. Thus, counterpart risk management of the financial activity is grounded in the following main principles:

- The consolidated management of all balance sheet and off balance sheet instruments;
- Multi-currency management, with counter-valuation in euros;
- Allowance for the same beneficiary notion;
- Evaluation of all assets and derivatives, in risk market value.

The maximum weighted risk AAA expressed in risk equivalent to one year is fixed at 200 M€, i.e. approximately 7% of consolidated equity, per counterpart, and at 300 M€, i.e. about 10.5%, per group of counterparts.

The portfolio and financial instrument limits were respected at 31 December 2002. In the course of the financial year, the deteriorating ratings of certain counterparts on the short-term portfolio brought to light two overruns, one of which resulted in the position being sold.

The counterpart risk management was audited in 2002. On the strength of the auditors' observations, consideration is being given to several changes in the management of this risk. The principal modifications envisaged are:

- An update, based on a new borrowing and treasury management software (RTP instead of Diagram Finance), of the methods of calculating the counterpart base, taking into account the latest statistics supplied by the rating agencies and by smoothing the weighting;
- A lowering of the risk on counterparts, in line with market practice, by means of systematic collateralisation.

4.7.2 – Legal risks

No matter or act of a legal nature is likely to have or to have had in the recent past a significant effect on the financial situation of the issuer, its activity, its result and, where applicable, on its group.

There is no litigation or arbitration in progress that might have a significant impact on the activities, financial situation or results of the Agence Française de Développement or its Group.

4.7.3 – Environment-related risks

(not applicable)

4.7.4 – Insurance – Cover of potential risk to the AFD

- Description of insurance contracted:

The insurance policies contracted by the AFD comprise:

- A “Civil Responsibility” policy covering personal, material and special injury sustained by a third party evoking the liability of the AFD or one of its agents (at Head Office or in the agencies);
- An “Office Comprehensive Risk” policy covering the risks of fire, explosion, electrical damage, water damage, broken windows, theft and financial loss resulting from accidents (Head Office and Marseilles);
- A “Total IT Risk” policy covering the risks of fire, explosion, electrical damage, water damage, broken windows, theft, and the costs of data and operating reconstruction. This policy concerns the permanent IT facility in France and the mobile IT facility for the Head Office and the agency network;
- Locally contracted “Office and Residential Comprehensive” policies covering the risks of fire, explosion, electrical damage, water damage, broken windows, theft, financial losses and all IT risks for the permanent IT facility of the agencies;
- A “Single Site Policy” concerning “building damage” linked to the construction of the Head Office in Paris.

- Description of the level of cover:

The level of cover is deemed sufficient. However, it should be pointed out that, in the case of 24 agencies, the AFD provides its own insurance in terms of comprehensive cover.

4.7.5 – Other risks (social)

- Introduction of the 35-hour week:

An agreement on the restructuring and reduction of working time was signed between the management and the majority of the trade unions. The introduction of the 35-hour week decided in this context and in line with previous agreements is not a risk factor for the AFD.

RECENT DEVELOPMENTS AND OUTLOOK FOR THE FUTURE

RECENT DEVELOPMENTS

The strategic direction plan adopted in March 2002 for the 2002-2006 period sets out three broad strategic aims for AFD: (1) to make AFD a major worldwide development agency serving developing countries and France's international ambitions; (2) to adapt, develop and innovate overseas while remaining a major player in financing overseas; (3) to develop synergies between these two worlds. These aims were drawn up in accordance with those given to AFD by its supervisory authorities in the terms of reference sent in November 2001. An initial progress report conducted in late 2003 showed that nearly all the aims were reached or in the process of being reached:

- The 2003 commitments show a better geographical and sectoral selectiveness in AFD's activities. These commitments were entered into on the basis of a wider product range, taking into account the unbundling of the full amount of project aid managed by AFD since February 2002 and the change in State / AFD relations, which enables the latter greater freedom to act within the limits of a cost to the State expressed as net present value (and no longer as a limit in terms of commitment volume),
- The contribution to international commitments and aid renewal and partnerships underwent strong growth,
- The aims relating to organisation, governance, quality and performance measures were mostly reached or are well on their way to being reached.

The year 2003 was characterised by substantial growth in operations in foreign countries, mainly in the form of loans, while the commitment volume overseas remained stable compared with the previous financial year.

An initial aid was granted to China in 2003 thanks to the amendment to AFD's constitutive documents in July 2003 which authorised the Group to intervene in countries outside of the priority solidarity zone.

Furthermore, the year 2003 was marked by the sale at the end of the financial year of four regional finance companies of French overseas departments to BRED and the continued negotiations for the sale of banking subsidiaries in the Pacific territories. In parallel, bank refinancing, for which AFD only intervened in French overseas departments in favour of its subsidiaries, was extended, as with the Pacific territories, to all the banks of the market.

OUTLOOK FOR THE FUTURE

Operations in foreign countries should show new growth in 2004, while overseas operations should slow following the sale of the subsidiaries.

The opening up to new countries of the Group's operations provides AFD with greater lending opportunities than its traditional zone of operation in which operations consist mainly in grants. The list of countries, located in Asia and the Mediterranean region, in which it is currently authorised to intervene, was approved in late 2003 by the supervisory authorities. AFD has already begun work on identifying projects it could finance.

The reform of the AFD product line begun in 2002 will continue in 2004 in order to improve the service provided to borrowers while decreasing the "State cost" of the aid.

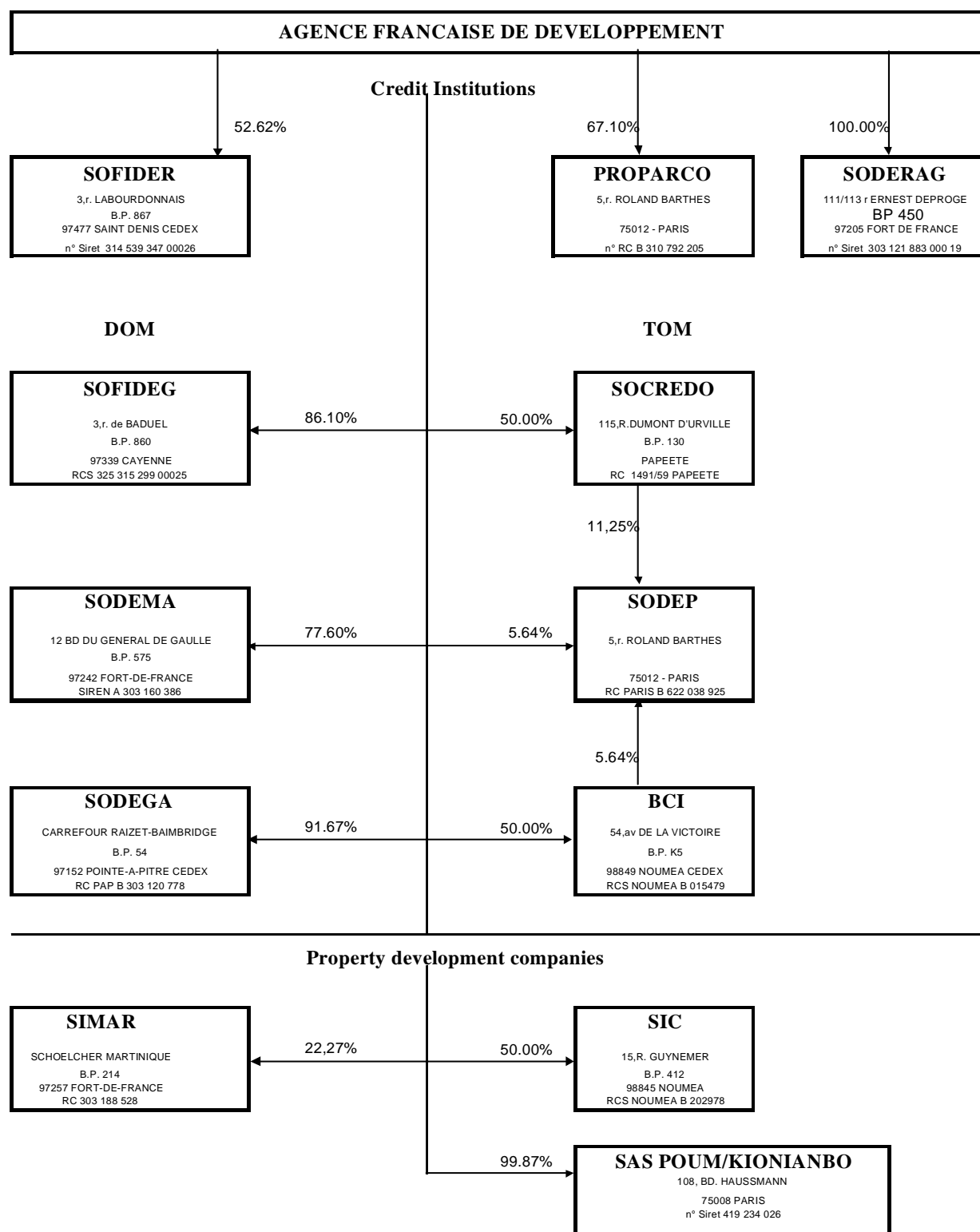
Maintaining a significant commitment flow in the most dynamic countries with intermediate incomes will, however, lead the Agency to pay special attention to the development of its equity capital and its suitability to the level of operations planned in these countries. The equity capital of AFD will be decreased due, firstly, to the sale of its subsidiaries and, secondly, to the regulatory disqualification relating to the entry as Tier 2 capital of subsidies (€ 350.041.000) received from the State to subsidise some transactions.

Operations undertaken in the context of the initiative relating to highly-indebted poor countries will be increasingly important, as the number of eligible or soon to be eligible countries is on the rise. The sums outstanding to countries participating in this initiative shall, furthermore, no longer be AFD risks, as a State/AFD agreement provides that the State shall guarantee, country by country, the sums outstanding falling within the scope of the refinancing mechanism, as from the time when the beneficiary country reaches the completion point.

For overseas operations, the areas of intervention maintained are the continuation of the financing of the economy and the development of AFD's role in advising and supporting public authorities. The implementation of new concession products is under study, intended, firstly, for local municipalities to finance investments the State would like to support and, secondly, for banks: the sale of departmental finance companies in late 2003 led to a strengthening of the market institution role conferred on AFD. For example, the setting-up of subsidised credit lines for all overseas banks is becoming a key instrument in AFD's activities in order to continue to support the productive sector made up of small and medium-sized businesses.

CONSOLIDATION GROUP STRUCTURE OF THE AGENCE FRANCAISE DE DEVELOPPEMENT GROUPAS AT 30 JUNE 2003

(excluding holdings held for the account of the State)



AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE ISSUER

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002 (thousands of €)

ASSETS	Note	31/12/2000 (1)	31/12/2001	31/12/2002
INTERBANK OPERATIONS AND EQUIVALENT		4 139 781	3 921 724	3 927 118
Cash, Central Bank, C.C.P.		32 644	41 170	31 042
Government securities and equivalent	1 and 2	534 376	525 000	528 279
Loans to credit institutions	3	3 572 761	3 355 554	3 367 797
<i>Demand</i>		379 546	426 511	549 422
<i>Term</i>		3 193 215	2 929 043	2 818 375
CLIENT OPERATIONS		11 333 204	11 762 783	11 718 685
Loans to clients	4	11 333 204	11 762 783	11 718 685
<i>Commercial loans</i>		10 920	15 891	10 455
<i>Other loans to clients</i>		11 289 674	11 707 586	11 673 197
<i>Ordinary accounts in debit</i>		32 610	39 306	35 033
LEASING OPERATIONS AND EQUIVALENT		100	109	63
BONDS, SHARES, OTHER FIXED AND VARIABLE INCOME SECURITIES		572 023	485 012	482 714
Bonds and other fixed income securities	1 and 2	555 574	467 685	443 332
Shares and other variable income securities	1 and 2	16 449	17 327	39 382
SHAREHOLDINGS, HOLDINGS IN ASSOCIATED COMPANIES, OTHER LONG-TERM INVESTMENT SECURITIES		191 703	179 814	154 785
Other long-term investment securities	5	130 044	134 840	123 096
Shareholdings in companies carried under the equity method		61 659	44 974	31 689
<i>Non financial</i>	7	13 912	16 214	18 011
<i>Financial</i>	8	47 747	28 760	13 678
FIXED ASSETS	9	168 622	172 769	165 833
Tangible fixed assets		155 050	154 153	149 561
Intangible fixed assets		13 572	18 616	16 272
DIFFERENCES ON ACQUISITION				241
ADJUSTMENT ACCOUNTS AND MISCELLANEOUS ASSETS		939 208	645 934	1 028 873
Adjustment accounts	11	920 901	604 442	1 011 969
Other assets	10	18 307	41 492	16 904
Total assets		17 344 641	17 168 145	17 478 312
OFF-BALANCE-SHEET ITEMS: Commitments given				
Financing commitments		3 644 723	3 161 896	2 551 403
To credit institutions		1 453 302	1 040 648	676 245
To clients		2 191 421	2 121 248	1 875 158
Guarantee commitments		255 400	377 700	510 895
For credit institutions		102 378	82 716	195 700
For clients		153 023	294 984	315 195
Commitments in respect of securities				
Securities acquired with option to repurchase or recover				

(1) Published balance sheet, restated in accordance with the new CRC 2000-04 format.

LIABILITIES	Note	31/12/2000 (1)	31/12/2001	31/12/2002
INTERBANK OPERATIONS AND EQUIVALENT	12	400 339	404 131	336 169
Central Banks, C.C.P.		42	29	696
Debts to credit institutions		400 297	404 102	335 473
<i>Demand</i>		74 154	65 532	79 863
<i>Term</i>		326 143	338 570	255 610
CLIENT OPERATIONS	13	556 654	592 342	654 434
Special savings accounts		105 298	103 474	123 989
<i>Demand</i>		105 298	103 474	123 989
<i>Term</i>				
Other debts		451 356	488 868	530 445
<i>Demand</i>		243 078	233 224	267 244
<i>Term</i>		208 278	255 644	263 201
SECURED DEBTS	14	8 304 642	7 695 836	7 997 533
Short term notes		24 286	24 245	24 255
Interbank market securities		13 402	20 059	28 530
Bonds		8 266 954	7 651 532	7 944 748
ADJUSTMENT ACCOUNTS AND OTHER LIABILITIES		4 473 640	4 448 986	4 281 082
Adjustment accounts	11	264 737	227 880	237 482
Other liabilities	10	4 208 903	4 221 106	4 043 600
<i>Borrowing from Treasury</i>		899 797	844 223	784 919
<i>Allocated public funds</i>		2 431 480	2 478 988	2 435 780
<i>Subsidies</i>		500 027	443 963	384 855
<i>Other liabilities</i>		377 599	453 932	438 046
DIFFERENCES ON ACQUISITION		41		22
PROVISIONS FOR CONTINGENCIES AND CHARGES	15	1 021 686	1 107 186	1 168 023
SUBORDINATED DEBT		1 138 650	1 311 629	1 345 975
RESERVE FOR GENERAL BANKING RISK (RGBR)	16	426 377	472 916	516 620
MINORITY INTERESTS		26 936	83 381	89 254
Retained earnings		25 371	78 748	81 221
Net income for the year		1 565	4 633	8 033
EQUITY CAPITAL GROUP SHARE (excluding RGBR)	17	995 676	1 051 738	1 089 200
Capital invested by State		381 123	400 000	400 000
Retained earnings		560 860	596 453	651 738
Net income		53 693	55 285	37 462
Total liabilities		17 344 641	17 168 145	17 478 312
OFF BALANCE SHEET: Commitments received				
Financing commitments		113 528	193 808	484 179
Received from credit institutions		113 528	193 808	484 179
Commitments in respect of securities				
Securities acquired with option to repurchase				
Guarantees		277 738	373 457	304 598
Received from credit institutions		277 738	373 457	304 598
Other commitments		4 162 505	4 063 281	3 840 176
Guarantees received from the French State		4 162 505	4 063 281	3 840 176

(1) Published balance sheet, restated in accordance with the new CRC 2000-04 format.

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2002 (thousands of €)

	Note	31/12/2000 (1)	31/12/2001	31/12/2002
Banking income and expenditure				
+ Interest income and other income	20	1 181 664	1 039 714	964 229
On operations with credit institutions		241 390	198 721	163 673
On client operations		483 148	488 524	474 945
On bonds and other fixed income securities		54 506	51 816	47 431
Other interest and equivalent income		402 620	300 653	278 180
- Interest expenses and other expenses	21	1 141 999	958 737	843 204
On operations with credit institutions		84 185	76 419	58 879
On client operations		53 534	55 935	38 629
On bonds and other fixed income securities		685 828	547 210	555 150
Other interest and similar charges		318 452	279 173	190 546
+ Income from variable-income securities		4 806	4 752	4 624
+ Commissions (income)	22	47 274	37 850	39 533
- Commissions (expenditure)	22	3 544	4 612	5 265
+ Gain or loss on investment portfolios and equivalent		378	2 038	-526
Gain or loss on securities transactions		562		
Gain or loss on investment securities	23	-184	2 038	-16
Gain or loss on foreign exchange				
Gain or loss on financial instruments				-510
+ Other banking income	24	307 614	284 768	260 896
- Other banking expenses	25	28 697	26 031	28 978
= NET BANKING INCOME		367 495	379 742	391 309
OTHER ORDINARY INCOME AND EXPENSES				
- General operating expenses		146 383	160 075	165 891
Staff expenses	26 + 27	108 173	125 149	122 915
Other administrative expenses		38 210	34 926	42 976
- Appropriation to provisions on intangible and tangible fixed assets		16 010	16 866	19 031
= GROSS OPERATING INCOME		205 102	202 801	206 387
± Cost of risk	29	-116 123	-104 494	-98 848
= OPERATING INCOME		88 979	98 307	107 539
± Share of earnings of companies carried under the equity method		4 350	3 091	4 570
Non financial		1 215	2 302	1 797
Financial		3 135	789	2 773
± Gains or losses on fixed assets	30	10 586	9 032	-7 068
= ORDINARY INCOME BEFORE TAX		103 916	110 430	105 041
± Exceptional profit or loss	31	-24 946	238	775
- Corporation tax	38	-11 500	-11 544	-16 446
- Amortisation of differences on acquisition		353	42	-169
± Appropriation or write-back of RGBR		-12 565	-39 248	-43 704
± Minority interests		-1 565	-4 633	-8 035
NET INCOME – GROUP SHARE		53 693	55 285	37 462

(1) Published balance sheet, restated in accordance with the new CRC 2000-04 format.

Appendix to the accounts

HIGHLIGHTS OF THE YEAR

In the course of the financial year, the AFD embarked on a transfer process for the four credit companies of the overseas departments and for its two banking subsidiaries in the overseas territories. The AFD is thus proceeding to buy up the shares held by minority interests in the four credit companies of the overseas departments. Its stake in the capital of SODEMA has risen from 36.8% to 72.8%. Since the shares are bought up with a view to transfer, SODEMA remains consolidated under the equity method. The unrealised losses have been taken into account over the financial year.

The events occurring in the Ivory Coast as from 19 September 2002 gave rise to an additional appropriation for cover of the AFD's non-sovereign risks and for PROPARCO's country risk.

SCOPE AND METHODS OF CONSOLIDATION

Scope of consolidation

The list of the companies in which the AFD and PROPARCO have shareholdings of 20% or more is given in the table on the next page.⁽¹⁾

The following are not included in the consolidated accounts:

- Companies that are not significant to the Group;
- Foreign companies in which the AFD has shareholdings, because of the difficulties involved in obtaining their accounts promptly and in the form required, as well as the fact that the AFD has no significant influence over them because they are state-owned or the equivalent.

⁽¹⁾ The percentage of control expresses the parent company's degree of influence in the decisions of the companies in which it holds shares. This determines the method of consolidation.

The percentage of interest determines the parent company's rights to the equity of the consolidated company. It serves as a basis for the consolidation calculations.

**CONSOLIDATED SUBSIDIARIES AND THEIR CONTRIBUTIONS TO THE
CONSOLIDATED ANNUAL RESULT AS AT 31/12/2002 (thousand €)**

	Location	% of control	% of interest	Total balance sheet	Ref.	Contribution to net income
AFD						9 418
Fully consolidated subsidiaries						
SOFIDER	Reunion	51,35	51,35	766 740		6 367
SODERAG	Antilles	100,00	100,00	8 525		53
PROPARCO	Paris	68,10	68,10	697 926		4 143
Subsidiaries consolidated proportionally						
Banque SOCREDO	Polynesia	50,00	50,00	1 487 462		7 938
Banque Calédonienne d'Investissement	New Caledonia	50,00	50,00	1 038 192		4 950
Carried under the equity method						
- Credit institutions						
SODEP – AFD stake	Paris	5,64	14,10	10 452		3
SODEP – BCI stake	Paris	5,66				
SODEP – SOCREDO stake	Paris	11,25				
SODEGA	Guadeloupe	43,00	43,00	239 195		1 131
SODEMA	Martinique	72,80	72,80	301 903		1 256
SOFIDEG	French Guiana	38,95	38,95	94 323		407
- Non-financial companies						
SAS Poum Koniambo	New Caledonia	99,87	99,87	136 356		
Société Immobilière de Nouvelle-Calédonie	New Caledonia	50,00	50,00	271 134		1 212
Société Immobilière de la Martinique	Martinique	22,27	22,27	337 363		584
Excluded shareholdings						
- Foreign public or parastatal entities						
Société Financière Algérienne et Européenne de Participation (FINALEP)	Algeria	28,73		3 209	(5)	
GARI	Togo	27,01		30 393	(5)	
Banque nationale de Développement Agricole	Mali	21,42		115 587	(5)	
BAC B (ex Caisse Nationale du Crédit Agricole)	Burkina Faso	21,05		82 551	(5)	
Société Nationale Immobilière	Gabon	20,65		48 582	(5)	
Banque de Développement des Seychelles	Seychelles	20,41		43 989	(5)	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20,00		10 379	(5)	
- PROPARCO's foreign shareholdings						
COTPRO	Zimbabwe	cession in 1st semester 2002				
PICOR	Madagascar	29,99		1 604	(5)	
SGI/SIB	Ivory Coast	25,00		580	(5)	
Seninvest (company in litigation)	Senegal	27,27		1 049	(3)	
Zambezi Fund Mauritius - ZFMPL	Mauritius	dissolution in 2nd semester 2002				
SGHI	Guinea	22,32		9 509	(3)	
SOCOTEC	Ivory Coast	cession in 1st semester 2002				
TUNISIE SICAR	Tunisia	20,00		4 016	(5)	
SETRANS	Cameroon	20,00		959	(4)	
- French companies whose balance sheet is not significant						
Retiro Participations – PROPARCO stake	Paris	99,00		5	(5)	
SAS Poum/Koniambo stake	New Caledonia	99,00		6 194		
SAS Poum/Koniambo stake	New Caledonia	99,00		7 765		
AGROCACO – PROPARCO stake	Martinique	33,33		1 274	(2)	
SOARI – PROPARCO stake	Paris	30,00		172	(5)	
HOLDEFI/FIDEVCA – PROPARCO stake	France	20,00		4 032	(3)	
Alain Anne - PROPARCO stake(company in liquidation)	Martinique	23,05		4 697	(1)	
GROUP SHARE OF RESULT						37 462
(1) Balance-sheet 31-12-98 - (2) Balance-sheet 31-12-99 - (3) Balance-sheet at 31-12-00 - (4) balance-sheet at 30-06-01 - (5) Balance-sheet at 31-12-01						

Methods of consolidation

The methods of consolidation used are as follows:

Full consolidation method

All the accounts are incorporated item by item into the AFD balance sheet and off-balance sheet items, allowance being made for the rights of "minority shareholders". The same process is used for the profit and loss account.

The following three companies have been fully consolidated:

The Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), formed in 1977.

This company has a capital of 142.6 M€. The AFD's holding is 68.10%.

The Société de Développement Régional Antilles-Guyane (SODERAG), which was taken over by the AFD in 1995 at the request of the French Government, and which was wound up in 1998, following withdrawal of its licence as a credit institution.

This company has a capital of 5.6 M€ held 100% by the AFD.

La Société Financière pour le Développement de la Réunion (SOFIDER), in which the AFD has held a majority stake of 51.35% since 2001.

This company has a capital of 40 M€.

SOFIDER was consolidated by the equity method until 31 December 2000. Since 31 December 2001, following on from the merger-takeover with SODERE, SOFIDER has been fully consolidated. The effects of the change of method on the balance sheets and profit and loss accounts for the year 2000 are not significant.

Proportionate consolidation

This method involves incorporating into the accounts of the consolidating company the proportion of the assets and profit or loss attributable pro rata to the shares held by the shareholding company, but not including minority interests.

At the request of the Banking Commission, the Banque Calédonienne d'Investissement (BCI) and SOCREDO have been consolidated using the proportionate consolidation methods since 31 December 2000. The AFD holds 50% of the capital of each of these companies, which were previously consolidated by the equity method.

Equity method

This method bases the valuation of the holding on the company's net position and includes a proportion of its profit or loss adjusted where appropriate, pro rata to the share of the capital held.

This method has been applied to six companies in which the AFD has direct or indirect holdings of between 14% and 50%, over which it has no more than a significant influence.

The majority holding (99.9%) taken by the AFD in 1998 in SAS Poum-Koniambo, a joint stock company created to implement the agreement concluded on 1 February 1998 for the Poum and Koniambo mineral exchange in New Caledonia, is also consolidated by the equity method, because its activities are not an extension of the AFD's own activities.

Ad hoc entities

Separate legal entities (ad hoc entities) specially formed by the AFD Group to manage an operation or a set of similar operations, existed at the start of the year in which the new consolidation rules were applied and are not consolidated because they satisfy the exemption criteria set out in CRC Regulation 99-07 (absence of additional investment, limited duration). In addition, these entities are not significant in relation to the consolidated accounts.

Other companies

The AFD also has shareholdings in a number of companies over whose management it has no significant influence. These companies are not consolidated, either in full or by the equity method. They are included in "Shareholdings, investment activities and interests in associated companies". Their financial position is taken into account through the provisions against shares in their capital held by the AFD.

ACCOUNTING PRINCIPLES AND METHODS OF CALCULATION

General

The format of the consolidated accounts of the Agence Française de Développement complies with the accounting principles applicable in France to credit institutions.

The consolidated accounts comprise the balance sheet, the profit and loss account and the annexed notes which supplement the information provided in the first two documents.

They have been prepared in accordance with the principles of prudence, going concern, accruals and consistency of accounting methods.

Under Regulation 2000-04 of the Accounting Regulation Committee, the Comité de la Réglementation Comptable (CRC), the accounts are presented in the new format applicable to credit institutions. The figures for 2000 have been restated in order to ensure comparability of the information provided.

Restatement of accounts

Internal transactions

In the case of companies whose accounts have been consolidated in full, the following have been eliminated:

- Balances on inter-company balance-sheet and off-balance-sheet accounts (loans, borrowings, deposits etc;)
- Balances on income and expenditure (interest and other income and charges, various services, etc.)
- Inter-company dividends (also eliminated in the case of companies consolidated by the equity method)

In the case of companies consolidated by proportionate consolidation, inter-company receivables, debts and commitments, and inter-company income and expenditure are eliminated pro rata to the shareholding in the companies concerned. The difference between the amounts eliminated and the total of such receivables and debts is treated as receivables from and debts to enterprises external to the Group.

Internal provisions

The AFD's internal provisions for depreciations of shareholdings in all its subsidiaries and amounts receivable from fully consolidated subsidiaries have been eliminated.

Indemnities for early repayment

Indemnities paid to the AFD by its subsidiaries in the case of early repayment of borrowings are restated so as to align the treatment of scheduling of such indemnities in the accounts of the subsidiaries with AFD practice.

Differences on acquisition

Negative differences on acquisition in relation with changes in the percentages of the AFD's holdings in SODERE at the end of 1998 and PROPARGO at the end of 1999 were written off on a straight-line basis over 18 months.

Foreign currency conversion

Amounts receivable, amounts payable and off-balance-sheet commitments denominated in foreign currencies are recorded on the basis of the spot exchange rates on the closing date of the accounting period.

Conversion of foreign currency transactions at the rate ruling on the transaction date gives rise to exchange gains and losses, which are recorded in the profit and loss account, except in the case of the following items, for which exchange differences are recorded in a reserve account:

- Shareholdings denominated in foreign currency and financed in euros;
- Foreign-currency borrowings by the AFD where the exchange risk is borne by the French State, on the understanding that this applies only to loans subscribed to finance the PRGF⁽²⁾ (formerly ESAF) of the International Monetary Fund, since the foreign currency guarantee mechanism for other loans was abolished in 1997, under the reform of financial relations between the State and the AFD;

For loans to finance the PRGF, the accounts record cumulative exchange differences from inception on the outstanding capital balance;

- Financial instruments related to these loans recorded as off-balance-sheet items;
- Balance sheet and off balance sheet items in non-convertible currencies.

Foreign currency income and expenditure on loans, borrowings, securities or off-balance-sheet operations are recorded in foreign currency in profit and loss accounts kept for each of the currencies concerned, conversions being made on monthly closing dates.

Foreign currency income and expenditure are therefore fixed in euros on a monthly basis and any subsequent variations in exchange rates give rise to exchange gains or losses in the profit and loss account. It should be borne in mind that where the exchange risk on AFD borrowing is borne by the French State, exchange gains or losses on interest are balanced by State subsidies and exchange rate guarantees, and therefore have no impact on the final result.

In the case of transactions in non-convertible currency, only unrealised losses are taken into account in the form of provisions (in the case of shareholdings) or loss on exchange (in the case of bank accounts). In accordance with the regulations, unrealised gains on such transactions are not taken into account.

There are no foreign companies in the AFD Group whose accounts are denominated in foreign currency.

Loans to credit institutions and clients

These loans are entered in the balance sheet at an amount (including matching credits) net of provisions against the risk of non-recovery.

The balance of commitments in respect of credit agreements signed but not yet disbursed or partly disbursed is shown as an off-balance-sheet item.

Interest and commissions earned are recorded as banking income, for the amounts accrued, due and receivable, apportioned on a time basis.

In accordance with the banking regulations, loans are downgraded to the status of doubtful debts where instalments due have been unpaid for three, six or nine months, depending on the type of loan.

By Agreement with the Banking Commission, the following exceptions are allowed: loans guaranteed by the French State, which are not downgraded, and sovereign loans, for which the period of arrears allowed is raised to 18 months.

Loans and credits rated under the rating system as presenting significant risk are downgraded to doubtful debts (even in the absence of arrears) and partial or full provision for depreciation is made in respect of the outstanding principal amount (provisions for specific risks).

Loans subject to litigation are included in doubtful debts.

⁽²⁾ PRGF: Poverty Reduction and Growth Fund

Provision is made in full for unpaid interest due an interest accrued on doubtful debts, except on loans guaranteed by the French State.

Provision for risks is automatically included in balance sheet liabilities, at a rate of 50%, for unpaid interest on ordinary loans in foreign countries, except loans guaranteed by the French State and excluding interest due covered by the Paris Club rescheduling arrangements.

Short-term and long-term investments

In accordance with CRC 2000-02 and CRBF Regulation No 90-01, the following rules are applicable depending on the purpose of the transaction:

- Short-term investment securities intended to be held for six months or more are recorded at the date of acquisition, at acquisition price, excluding accrued dividends and acquisition costs.

The option of amortising premiums or discounts has not been taken. Interests accrued since the previous interest maturity are included in the accounts on a monthly basis.

Provision for unrealised losses, determined as the difference between the book value and market price, is made monthly on a line by line basis, without offset of unrealised gains. Unrealised gains are not recognised in the accounts.

- Long-term investment securities (mainly bonds), in principle to be held until maturity, are recorded at the date of acquisition, at acquisition price, excluding accrued interest and acquisition costs.

They may be subject to a provision for depreciation in the case of counterpart risk.

Premiums or discounts (the difference between the book value and the redemption price) are written off on a straight-line basis over the residual life of the investment.

Interest accrued since the last interest maturity are included in the accounts on a monthly basis.

The AFD has resources globally back-to-backed to fund its long-term investments in securities.

SHAREHOLDINGS IN ASSOCIATED COMPANIES AND LONG-TERM INVESTMENTS

Shareholdings

These are shareholdings whose long-term retention is considered to be necessary to the company's activities, in particular because it allows influence or control to be exercised over the issuing company.

These shareholdings can mainly be classified according to the following criteria:

- Shareholdings in companies with directors or managers in common with the holding company, in circumstances which permit influence to be exercised over the company in which the shares are held;
- Shareholdings in companies belonging to the same group controlled by natural or legal persons exercising control over the whole group and with centralised decision-making powers;
- Shareholdings representing over 10% of rights in capital issued by a credit institution or a company whose activity is an extension of the holding company.

Other long-term investments

This category comprises investment in securities intended to promote the development of continuing business relations by creating a special link with the issuing company, but without influence in the management of the companies whose securities are held because of the low percentage of voting rights they represent.

For these two categories:

- The shares are recorded at acquisition cost. Provision is made for depreciation where the estimated value (value of net assets or market price, as the case may be) is lower than acquisition cost;

- Provision of 100% is made in the case of conversion differentials for an exchange loss if the currency concerned is devalued;
- Dividends are recorded as income on receipt of the minutes of general meetings held up to 31 December in the year of account.

The AFD also holds investments via managed funds (CIDOM, FAC, FIDES or FIDOM) in 34 companies or via funds subscribed by the State (*cf.* Note 35). These investments are recorded at acquisition price in the non-statutory off-balance-sheet section. Details of the amounts involved are shown in a note in the appendix. These investments, on behalf of the State subscribed out of public funds provided to the AFD, are not included in the control and interest percentages, and are thus not consolidated in the Group Accounts.

Bonds

Redemption premiums (the difference between maturity and par) and issue discounts or premiums (the difference between issue price and par) are spread over the lifetime of the bonds concerned on a straight-line basis, except for issue premiums above par for subsidised borrowing to the extent that these are repaid to the State.

Subsidies

"Subsidies" records funds to subsidise structural adjustment loans and investment subsidies on mixed loans, which are paid by the State when the loans are mobilised, and which allow the granting of concessional loans by lowering the average costs of the resource allocated in each of the loan categories concerned.

These grants and investment subsidies are amortised over the life of each loan which they help to finance.

Fixed assets

Fixed assets are valued at original cost net of recoverable VAT.

- The bulk of intangible assets is made up of software, either developed in-house or bought in.
The depreciation period is two years for office automation equipment and five years for management information systems.
- Tangible assets are depreciated on a straight line basis:
 - Office buildings in metropolitan France are depreciated over 20 years;
 - Office buildings overseas are depreciated over 15 years;
 - Housing blocks are depreciated over 15 years;
 - Improvements, repairs and furnishings are depreciated over 5 or 10 years;
 - Equipment and vehicles over 2 to 5 years.

The buildings of the BCI (Banque Calédonienne d'Investissement) and the SIC (Société Immobilière de Nouvelle-Calédonie), which were voluntarily revalued on 1 January 1988 at €3,292,000 have been restated at their original value, so as to maintain a consistent basis of valuation for all buildings shown as assets in the consolidated balance sheet.

Surpluses on valuation of investments in consolidated subsidiaries arising on the initial consolidation and originally recorded as a "premium on consolidation", are included in liabilities as a reserve, as are surpluses on companies consolidated by the equity method.

Financial futures

The off-balance-sheet amount for financial futures relates wholly to firm individually negotiated interest rate and currency swaps.

These instruments are used almost exclusively in micro-hedging operations related to borrowing and lending.

In accordance with CRBF Regulations No. 90-15 as amended by CRBF Regulation No 92-04, the nominal values of these instruments are recorded as off-balance-sheet items and the principle of matching with the item hedged is observed by recording income and expenditure in accounts for interest income and other income and expenditure relating to the items hedged. This income and expenditure is not netted off.

Provisions for contingencies and charges (cf. Note 15)

The item comprises provisions against probable risks and charges arising from past or current events, with a clear statement of their purpose.

Provisions for country risk

As permitted under the reform adopted by the Banking Commission in 1998, since 1 January 2000, the AFD has assessed country risk for countries where it operates in accordance with its own rules and determines the appropriate corresponding level of provisions.

- Sovereign loans, i.e. those granted to or guaranteed by States, are subject to provisions of 7% of the total capital balance. These provisions are in provisions for contingencies and charges. The rate of 7% is increased to 15% for debtors in arrears by over 18 months, then increased by 10% per year beyond five years.

The rates of provisions derive from observation of historic data on debt treatment to date for which the AFD was indemnified by the State, and the decision of the Board to make prudent provision for old unpaid debts, due to the high risk of loss.

- Provision for country risk on non-sovereign loans is included in provisions for contingencies and charges, at rates of 25%, 35%, 45% or 60% depending on the level of risk of the debts concerned, assessed for each country under the rating system adopted by the AFD. It is validated by an internal Risk Management Committee in the AFD. The rates are applied to the capital balance and half of the remainder to be disbursed for sound loans. Where appropriate, an additional provision for doubtful debts is made so that the total cover is at least equal to the corresponding country risk provision. These rules also apply to equity investments. These assessments derive from experience gained in the AFD and external data currently available on the level of risk by group of countries.
- The AFD also makes provision for the country risk of its subsidiary, PROPARCO, applying the same rules. To offset this, the AFD retains the subsidy element in resources allocated to PROPARCO, which are provided at market rates. An additional provision was made on 31 December 2002 following a request from its subsidiary PROPARCO to apply country risk cover for operations in the Ivory Coast.

Provision for unpaid interest

This provision is designed to cover 50% of unpaid interest on ordinary loans.

Provision for doubtful balances disburseable under signed agreements

This provision is intended to cover risks incurred on amounts to be disbursed in respect of loans for which agreements have been signed and which are classed as doubtful. These amounts disburseable are provided for at the rate applied to capital disbursed and not repaid.

Provision for guarantee commitments given

This provision covers commitments given on behalf of clients or credit institutions. Provisions against these commitments are at rates of 15% (clients) and 11% (credit institutions) in the overseas departments and territories. In foreign countries, they are treated as provisions for country risk in the same way as non-sovereign debt. The AFD also makes provision, under the same rules, to bring the cover of the commitments made by its subsidiary, PROPARCO, up to the required level.

Provision for risks in subsidiaries

This provision is primarily intended to cover the cost to the AFD of the buyback and liquidation of SODERAG which was decided in 1998, and to cover the risk of loss to the AFD on loans granted to its three subsidiaries in Antilles-French Guiana to buy SODERAG's portfolio.

Provision for debt relief

This provision was set up in 1998, at the request of the French State, to allow the AFD, in the form of a voluntary contribution, to cover part of the cost of bilateral debt relief measures relating to its sovereign debt. In 2002, no addition was made to this provision which remained at 81 M€.

Provision on Morocco bond guarantee operation

This covers a guarantee commitment given on a sovereign risk (bond issued by the Kingdom of Morocco).

Provision for miscellaneous risks

This provision covers various risks and litigation for which resources are likely to be committed.

Provision for exchange risk

This provision covers against unrealised losses on conversion of shareholdings in foreign currency.

Provision for major repairs

This provision has been revalued based on forecasts of major repairs over the next five years. In the absence of major repairs over the financial year, the provision amount remains unchanged compared to 31 December 2001.

Provision for pension liabilities

Liabilities in respect of the pensions of AFD staff in service not covered by the AFD Staff Pension Fund are calculated on a statistical basis and recorded in the balance sheet under provisions for contingencies and charges. Since the end of 2000, these liabilities cover both headquarters and outposted staff seconded to the issuing banks.

The liabilities thus provided for cover the pension scheme, the staff retirement bonuses and commitments to the pension fund cover. These provisions take into account the changes to the statutes of the AFD Pension Fund adopted by referendum on 27 June 2002.

Reserve for general banking risks (cf. Note 16)

In compliance with CRBF Regulation 92-02, the reserve for general banking risks is designed to remain a permanent part of statutory equity to supplement the AFD's general risk coverage.

The fund is intended, in particular, to cover:

- General risks in the overseas departments and territories, in respect of the AFD's direct activities;
- General risks relating to the private sector;
- General risks relating to buildings owned abroad.

At 31 December 2000, the reform of the system of provision for country risk which led to a reduction in the RGBR and statutory equity meant that the AFD was no longer able to achieve its major risks ratio for one country in its area of operations. It obtained an exemption from the Banking Commission until 31 December 2001. A solution to achieve the required ratio of 25% was put in to effect before that deadline.

Subordinate debt

In 1998, an agreement was concluded with the State whereby part of the AFD's debt (886.5 M€) to the Treasury, in respect of drawings between 1 January 1990 and 31 December 1997, was converted into subordinate debt. The agreement also provides for a general rescheduling of the repayment period for this

debt over 20 years with a ten-year grace period, with all new borrowing after 1 January 1998 recorded as subordinate debt.

These arrangements, which allowed the AFD to strengthen its equity capital, were approved by the Banking Commission.

Retained earnings

The Group share comprises the reserves of the AFD and its consolidated companies together with its share in the reserves of companies consolidated by the equity method.

The minority interests are those of third parties who are shareholders in the fully consolidated companies and outside the Group.

Financing commitments

Financing commitments consist of the balance of amounts to be disbursed under loan agreements signed with clients or credit institutions.

Financing commitments to credit institutions include the balance of amounts payable under agreements with the IMF to finance the PRGF.

Guarantee commitments

The guarantee commitments given on behalf of credit institutions mainly include:

- The guarantee by the AFD in respect of the debt of SODERAG, in liquidation, on the understanding that a very considerable part of that debt was repaid early in 1998 and 1999 after SODERAG's transfer of its portfolio to SODEGA, SODEMA and SOFODEG;
- The guarantee by the AFD in respect of 50% of the gross residual capital, granted to the same three subsidiaries and to SOFODER in respect of loans assigned to them in 1998 by SOCREDOM, in the light of its pending liquidation on 1 January 1999;
- The guarantee granted by the AFD under the ARIZ scheme (Investment Risk Insurance in the Priority Solidarity Zone (IZSP) which is designed to promote the creation and development of local businesses.

These guarantees concern:

- Medium and long-term loans granted to local businesses by approved banks, whether or not re-financed by PROPARCO;
- PROPARCO loans only in the case of direct loans co-financed by local banks.

Guarantee commitments given on behalf of clients chiefly include guarantees of repayment of loans issued by the Crédit Foncier de France (CFF) and the Crédit d'Équipement des PME (CEPME), and interest relating to guarantees on bonds issued by the Kingdom of Morocco, the principal of which is included in financing commitments.

Commitments received from credit institutions are matched to the Group's lending activities.

Other commitments received include the French State's guarantee in respect of loans to foreign States.

Deferred taxation

For the purposes of accounts consolidation, the calculation of deferred taxation is made company by company, on a consistent basis, by the temporal method. This method has been applied to temporary differences, in each company, between the taxable profit and the accounting profit, and restatements made on consolidation. No tax credit has been recorded in respect of losses carried forward, the amounts of which are not significant.

Post-balance sheet events

There have been no significant events subsequent to 31 December which have not been included in the accounts ending on that date.

**ADDITIONAL INFORMATION ON ITEMS IN THE PUBLISHED CONSOLIDATED
ACCOUNTS (in thousand €)**

NOTE 1 - SHORT-TERM INVESTMENTS (1)

		Dec. 2001			Dec. 2002	
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government securities and equivalents	23 035		23 035	29 540		29 540
Matching credits	664		664	657		657
Provisions for depreciation	-205		-205	-1		-1
Net Total	23 494		23 494	30 196		30 196
Bonds and other fixed-income securities (2)	9 220	147 807	157 027	9 220	150 049	159 269
Matching credits	303	482	785	303	562	865
Provisions for depreciation			0	0		0
Net total	9 523	148 289	157 812	9 523	150 611	160 134
Shares and other variable income securities		18 267	18 267		40 618	40 618
Provisions for depreciation		-940	-940		-1 236	-1 236
Net total	0	17 327	17 327	0	39 382	39 382
Total net value	33 017	165 616	198 633	39 719	189 993	229 712
	Fixed income	Variable income	Total	Fixed income	Variable income	Total
Unrealized gains	639	0	639	1 261	853	2 114
		Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of bonds and other fixed-income securities		150 049	2 957	6 263	0	159 269

NOTE 2 - LONG-TERM INVESTMENTS (1)

		Dec. 2001			Dec. 2002	
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government securities and equivalents	489 178		489 178	485 804		485 804
Matching credits	12 327		12 327	12 278		12 278
Net total	501 505		501 505	498 082		498 082
Bonds and other fixed-income securities (2)	91 347	215 591	306 938	91 370	188 526	279 896
Matching credits	2 776	160	2 936	3 023	280	3 303
Net total	94 123	215 751	309 874	94 393	188 806	283 199
Total net value	595 628	215 751	811 379	592 475	188 806	781 281
Difference between acquisition and disposal price	46 295		46 295	0		0

During the year, no investments were sold before term.

(1) Total balance sheet items: government securities and equivalents, bonds and other fixed-income securities, shares and other variable income securities, or €1,010,993,000 at 31 December 2002.

(2) This line consists entirely of private sector securities.

		Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of bonds and other fixed-income securities		0	19 816	209 758	50 322	279 896

NOTE 3 - LOANS TO CREDIT INSTITUTIONS

		Dec. 2001			Dec. 2002	
	Demand	Term	Total	Demand	Term	Total
Ordinary accounts	166 670		166 670	206 051		206 051
Loans to credit institutions	257 457	2 926 778	3 184 235	342 726	2 820 565	3 163 291
- interbank	257 503	23 497	281 000	342 678	39 494	382 172
- lending activity	-46	2 857 508	2 857 462	48	2 703 189	2 703 237
- restructuring		45 773	45 773		77 882	77 882
Matching credits	2 385	21 506	23 891	645	20 601	21 246
Provisions for depreciation		-19 242	-19 242		-22 791	-22 791
Total	426 512	2 929 042	3 355 554	549 422	2 818 375	3 367 797

An amount of €18,754,000 in loans to foreign credit institutions was taken over by the State in the context of debt cancellation.

	Under 3 months (1)	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of loans to credit institutions	272 719	287 904	1 334 363	925 580	2 820 565

(1) Total doubtful debts rose from €28,658,000 in 2001 to €51,662,000 in 2002. They are included in the column "under 3 months".

Provisions have been made of € 22,791,000, a cover ratio of 44% (in 2001, the provisions were €19,242,000, a cover ratio of 67%).

NOTE 4 - LOANS TO CLIENTS

					Dec. 2001	Dec. 2002
Loans to clients					12 463 096	12 506 005
Matching credits					66 097	62 465
Provisions for depreciation					-766 410	-849 785
Total					11 762 783	11 718 685

The total loans to clients assumed by the State was €1,413,960,000 at 31 December 2002, in relation to debt cancellation decided by the French State. Total loans on behalf of the State and other government departments was €2,211,494,000.

		Under 3 months (1)	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of loans to clients		2 692 162	947 912	3 650 098	5 215 833	12 506 005

(1) Total doubtful debts rose from €1,637,463,000 in 2001 to €2,030,229,000 in 2002. They are included in the column "Under 3 months". Provisions have been made of €835,473,000, a cover ratio of 41% (in 2001, the provisions were €766,410,000, a cover ratio of 46%).

NOTE 5 - OTHER LONG-TERM SECURITIES

					Dec. 2001	Dec. 2002
Gross value					166 136	149 485
Revaluation of portfolio investments and other long-term investments					843	843
Difference on conversion					9 649	13 788
Matching credits					1 250	440
Provisions for depreciation					-43 038	-41 460
Net total					134 840	123 096

NOTE 6 - PRINCIPAL NON-CONSOLIDATED SHAREHOLDINGS

				Country	Acquisition value	% holding
STB				Tunisia	7 350	2,6
GARI				Togo	5 335	27,0
Compagnie Camerounaise d'Aluminium				Cameroon	5 940	5,6
Air Afrique				Ivory Coast	7 622	8,9
West African Growth Fund (WAGF)				Luxembourg	3 971	13,2

NOTE 7 - SHAREHOLDINGS IN NON-FINANCIAL COMPANIES CONSOLIDATED BY THE EQUITY METHOD

					Dec. 2001	Dec. 2002
Société Immobilière de Nouvelle-Calédonie (SIC)				New Caledonia	13 194	14 407
SIMAR				Martinique	2 792	3 376
SAS Poum-Koniambo				Metro. France	228	228
Total					16 214	18 011

NOTE 8 - SHAREHOLDINGS IN FINANCIAL COMPANIES CONSOLIDATED BY THE EQUITY METHOD

					Dec. 2001	Dec. 2002
SODEP				Metro. France	558	381
Credit companies in overseas departments (consolidated in AFD by equity method)				Overseas Departments	28 202	13 297
Total					28 760	13 678

NOTE 9 - FIXED ASSETS AND DEPRECIATION

		Dec. 2001	Acquisitions	Disposals	Transfers	Dec. 2002
Gross value						
Land and developments		68 385	70	15		68 440
<i>including new headquarters</i>		<i>64 384</i>				<i>64 384</i>
Buildings and developments		97 947	429	158		98 218
<i>including new headquarters</i>		<i>58 716</i>				<i>58 716</i>
Other tangible fixed assets		82 623	9 270	3 468	-6	88 419
Intangible fixed assets		31 655	6 930	1 787		36 798
Difference on acquisition of SODERAG (1)		31 938				31 938
Difference on acquisition of SODERE (1)		1 212				1 212
Difference on acquisition of SODEGA (1)		246				246
Difference on acquisition of SIGUY (1)		276				276
Gross amount		314 282	16 699	5 428	-6	325 547
Depreciation		Dec. 2001	Appropriations	Write-backs	Other	Dec. 2002
Land and developments		1 095	133	14		1 214
Buildings and developments		42 739	5 576	149		48 166
Other tangible fixed assets		50 849	7 716	2 556		56 009
Intangible fixed assets		12 974	7 494	8		20 460
Difference on acquisition of SODERAG (1)		31 938				31 938
Difference on acquisition of SODERE (1)		1 212				1 212
Difference on acquisition of SODEGA (1)		246				246
Difference on acquisition of SIGUY (1)		276				276
Total depreciation		141 329	20 919	2 727	0	159 521
Provisions for depreciation		184	22	13		193
Net value		172 769				165 833

(1) Differences on acquisition (€33,672,000) are fully amortised.

NOTE 10 - OTHER ASSETS AND LIABILITIES

			Dec. 2001		Dec. 2002	
			Assets	Liabilities	Assets	Liabilities
Borrowings from the Treasury				844 223		784 919
Allocated public funds				2 478 988		2 435 780
Subsidies				381 743		384 855
State credit account (subsidies) (1)				273 163		338 142
Other			39 968	242 989	12 705	99 904
Doubtful debts			10 277		10 700	
Provision for doubtful debts			-8 753		-6 501	
Total			41 492	4 221 106	16 904	4 043 600

(1) The project subsidy and structural accounts were in debit at 31.12.2001.

NOTE 11 - ADJUSTMENT ACCOUNTS

			Dec. 2001		Dec. 2002	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange and differences on exchange (1)			167 989		596 101	
Income receivable and charges payable on swaps			152 801	110 990	145 115	92 158
Income and expenditure to be allocated			74 460	54 944	82 400	61 399
Other accruals			209 192	61 946	188 353	83 925
Total			604 442	227 880	1 011 969	237 482

(1) The increase in this item is the result of the establishment of swaps following the issuing of €500,000,000 in the framework of MFI operations.

NOTE 12 - DEBT TO CREDIT INSTITUTIONS

			Dec. 2001		Dec. 2002	
			Demand	Term	Demand	Term
Central Bank, C.C.P.			29		696	
Debts to credit institutions			65 204	334 867	79 820	253 293
Matching debts			328	3 703	44	2 316
Total			65 561	338 570	80 560	255 609
		Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of debts to credit institutions		56 447	128 588	67 852	407	253 293

NOTE 13 - CLIENTS' ACCOUNTS IN CREDIT

			Dec. 2001		Dec. 2002	
			Demand	Term	Demand	Term
Client accounts in credit			336 588	251 813	391 153	258 561
Matching debts			110	3 831	80	4 640
Total			336 698	255 644	391 233	263 201

		Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of debts to clients		160 748	48 679	44 670	4 465	258 561

NOTE 14 - SECURED DEBTS

					Dec. 2001	Dec. 2002
Interbank market securities, negotiable debt					20 027	28 501
Bonds					7 341 792	7 647 539
Short-term notes					24 245	24 255
Subtotal					7 386 064	7 700 295
Matching debt					309 772	297 238
Total					7 695 836	7 997 533

		Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2002
Maturities of secured debts		640 140	469 905	3 575 921	3 014 328	7 700 295

NOTE 15 - PROVISIONS FOR CONTINGENCIES AND CHARGES

			Dec. 2001	Appropriations	Write-backs	Dec. 2002
Country risks - sovereign loans			368 722	39 627		408 349
Country risks - non-sovereign loans			165 062	4 347	8 458	160 951
Balance to be disbursed on sound loans			25 660	3 010	4 592	24 078
Shareholdings			2 402	1 592	2	3 992
Country risk - pp PROPARGO			257 074	23 095	13 725	266 444
Country risk – PROPARGO			7 165			7 165
Overdue interest on ordinary loans			5 365	1 494	1 241	5 618
Balance to be disbursed on doubtful loans			5 447	244	3 366	2 325
FCFA guarantee fund			533		533	0
Other guarantee funds			1 497		232	1 265
Subsidiary Risks - Overseas Departments			62 642	23 445	18 226	67 861
Other risks SODERAG			11 221	3 510	191	14 540
Other risks BCI			1 250	1 197	1 093	1 354
Other risks SOCREDO			7 385	8 618	8 343	7 660
Other risks SOFIDER			6 355	151	2 689	3 817
Provision for contribution to debt relief operations			80 735			80 735
Diverse contingencies			11 726	15 777	1 385	26 118
Provision for Morocco loan guarantee operation			15 921		8 602	7 319
Other risks: losses on exchange			9 313	875		10 188
Provisions for major repairs and administrative costs (1)			3 117			3 117
Staff costs (1)			58 596	7 019	487	65 128
Total			1 107 186	134 001	73 165	1 168 023

(1) These provisions are not included in "cost of risk" Note 29.

NOTE 16 - RESERVE FOR GENERAL BANKING RISKS

			Dec. 2001	Appropriations	Write-backs	Dec. 2002
Provision for general risks AFD			425 000	35 000		460 000
Provision for general risks PROPARGO			11 287	4 500		15 787
Provision for general risks SODERE			0			0
Provision for general risks BCI			14 293	1 676		15 969
Provision for general risks SOCREDO			9 742			9 742
Provision for general risks SOFIDER			12 595	2 528		15 123
Total			472 916	43 704	0	516 620

**NOTE 17 - TABLE OF CHANGES IN SHAREHOLDERS'
CAPITAL GROUP SHARE**

		Capital	Premiums	Consolidated Reserves	Transfers	Total shareholder's capital
Closing balance 2001		400 000		595 676		995 676
Net income for 2001					56 062	56 062
Net income transferred to retained earnings				56 062	-56 062	
Net income 31/12/2002					37 462	37 462
Closing balance 31/12/2002		400 000		651 738	37 462	1 089 200

**NOTE 18 - FORMATION AND STRUCTURE OF
STATUTORY SHAREHOLDERS' FUNDS (CRBF regulation no. 90-02)**

					Dec. 2001	Dec. 2002
Shareholder's base capital					1 589 419	1 678 583
Capital					400 000	400 000
Retained earnings					573 930	616 672
Difference on consolidation					22 523	35 066
Net income for the year (including minority interests)					59 918	45 495
Differences on acquisition						-219
Minority interests					78 748	81 221
RGBR					472 916	516 620
Intangible fixed assets					-18 616	-16 272
Additional shareholder's capital					1 237 206	1 222 865
Subordinated borrowings					794 710	839 292
Government subsidies					442 496	383 573
Shareholdings in credit or financial institutions					-38 920	-22 289
Shareholdings in credit institutions over 10%					-10 160	-8 611
Shareholdings consolidated by the equity method					-28 760	-13 678
Total statutory shareholder's capital					2 787 705	2 879 159

**NOTE 19 - ASSETS AND LIABILITIES
IN FOREIGN CURRENCIES (1) (2)**

					Dec. 2001	Dec. 2002
Assets in foreign currencies					854 606	1 667 026
Liabilities in foreign currencies					917 370	1 477 746

(1) Excluding IMF operations and (off-balance sheet) hedging operations, which offset the balance sheet positions.

(2) These foreign currency positions are hedged by financial futures recorded off-balance sheet.

NOTE 20 - INTEREST AND OTHER INCOME

					Dec. 2001	Dec. 2002
Interest and income from operations with credit institutions					198 721	163 673
Interest on loans					112 009	94 289
Interest on investments					9 195	6 627
Income from futures					77 517	62 757
Interest and income from operations with clients					488 524	474 945
Interest and income from bonds and other fixed-income securities					51 816	47 431
Short-term investments					8 102	9 844
Investments securities					43 714	37 587
Other interest and similar income					300 653	278 180
Income from futures (debt swaps)					300 653	278 180
Total					1 039 714	964 229

For the AFD, the net total of appropriations/write-backs for lost interest relating to doubtful interest on bad debts at 31 December 2002 was €59,999,000 compared to €87,037,000 at 31 December 2001 and €57,306,000 at 31 December 2000.

NOTE 21 - INTEREST AND OTHER EXPENSES

					Dec. 2001	Dec. 2002
Interest expenses on operations with credit institutions					76 419	58 879
Interest on credit accounts					5 299	6 947
Charges on futures					56 251	39 428
Interest on borrowings					14 869	12 504
Interest and charges on operations with clients					55 935	38 629
Interest and charges on subordinate debt					9 060	9 279
Other interest and charges on operations with clients					46 875	29 350
Interest and charges on bonds and other securities					547 210	555 150
Interest on interbank securities and negotiable debt					1 056	721
Interest on bonds					546 154	554 429
Other interest and similar charges					279 173	190 546
Charges on futures (debt swaps)					269 833	181 909
Interest on allocated public funds					9 340	8 637
Total					958 737	843 204

NOTE 22 - COMMISSIONS INCOME AND EXPENDITURE

					Dec. 2001	Dec. 2002
Income					37 850	39 533
- grants					15 848	17 549
- intervention in lending					3 120	2 356
- other					18 882	19 628
Expenditure					4 612	5 265

NOTE 23 - GAINS AND LOSSES ON SHORT-TERM INVESTMENTS

					Dec. 2001	Dec. 2002
Balance from short-term investments					2 038	-16
Gains on disposal					147	324
Losses on disposal					198	241
Appropriations to provisions for depreciation					348	910
Write-backs of provisions for depreciation					2 437	811
Balance of operations on other financial instruments						-510
Expenditure					-	510
Income					-	0

NOTE 24 - OTHER BANKING INCOME

					Dec. 2001	Dec. 2002
Other Banking Income					284 768	260 896
Transfer of borrowing charges					975	1 691
Exchange rate subsidies and guarantees on interest on borrowings					190 889	163 680
Other banking income					92 887	95 525
Gains on exchange					17	

NOTE 25 - OTHER BANKING EXPENDITURE

					Dec. 2001	Dec. 2002
Losses on exchange					482	3 391
Other charges					25 549	25 587
Total					26 031	28 978

NOTE 26 - GENERAL OPERATING EXPENDITURE - STAFF COSTS

					Dec. 2001	Dec. 2002
Salaries and allowances					84 402	86 979
Social charges					33 073	35 101
Incentives					3 052	1 922
Taxation, levies and similar payments from remuneration					5 080	5 056
Appropriations/write-backs on provisions					12 447	6 564
Re-invoicing seconded staff					-12 905	-12 707
Total					125 149	122 915

NOTE 27 - AVERAGE STAFF

	Executives	Supervisory	Skilled employees	Service staff	Staff not subject to posting	Total
Headquarters and overseas	534	194	85	6	422	1 241

NOTE 28 - PROVISIONS FOR DEPRECIATION OF ASSETS

			Dec. 2001	Appropriations	Write-backs	Dec. 2002
Unpaid interest on loans			523 204	80 175	18 855	584 524
Individual risks on loans			271 200	88 967	65 611	294 556
Depreciation on shareholdings (1)			43 038	3 337	4 915	41 460
Depreciation on short-term investments (2)			1 145	910	818	1 237
Depreciation on tangible and intangible fixed assets			184	21	14	191
Total			838 771	173 410	90 213	921 968

(1) Including €243,000 corresponding to the difference on conversion of provisions for depreciation (structural exchange position).

(2) Including €1,000 corresponding to exchange differences on write-backs of provisions.

NOTE 29 - COST OF CONTINGENCIES (1)

			Dec. 2001	Dec. 2002		
				Appropriations	Write-backs	Total
Provisions for contingencies and charges (note 15)			74 747	121 661	55 452	66 209
Depreciation on principal of doubtful debts (note 28)			9 068	88 967	65 611	23 356
Losses of principal for bad debts			20 679	11 417	2 134	9 283
Total			104 494	222 045	123 197	98 848

(1) These figures do not include the last three lines of note 15, or the second line of note 28.

NOTE 30 - GAINS AND LOSSES ON FIXED ASSETS

					Dec. 2001	Dec. 2002
Gains and losses on fixed assets					9 032	-7 068
Gains on disposal				+	10 218	12 218
Losses on disposal				-	3 949	3 970
Appropriations to provisions for depreciation				-	3 983	20 077
Write-backs of provisions for depreciation				+	7 245	4 922
Gains on exchange				+	112	258
Losses on exchange				-	611	419

NOTE 31 - EXCEPTIONAL INCOME AND EXPENDITURE

					Dec. 2001	Dec. 2002
Exceptional expenditure					2 381	1 553
Other					2 381	1 553
Exceptional income					2 619	2 328
Other					2 619	2 328
Exceptional loss/profit before tax					238	775

NOTE 32 - COMMITMENTS ON FINANCIAL FUTURES, EXCLUDING IMF (1)

					Dec. 2001	Dec. 2002
Firm operations						
Interest rate swaps (micro-hedging operations)					3 547 642	3 337 032
Currency swaps (micro-hedging operations)						
Commitments received					1 001 334	1 778 335
Commitments entered into					1 042 308	1 803 624
Other instruments (micro-hedging operations)						
Options					-	

(1) This information does not form part of the statutory off-balance sheet items.

			Under 1 year	1 to 5 years	Over 5 years	Total 2002
Firm, micro-hedging, and negotiated transactions						
Interest rate swaps			470 163	1 241 603	1 587 326	3 299 092
Currency swaps						
Commitments received			530 104	294 110	950 981	1 775 195
Commitments entered into			525 728	326 617	951 279	1 803 624
Other instruments						
Options			37 940			37 940

NOTE 33 - COUNTERPART RISKS, BY RATING, ON FINANCIAL FUTURES, EXCLUDING IMF OPERATIONS (1)

			Rating of banking counterpart	Weighted/notional outstanding balance (2)	Value (3)	Total
				108 119	103 865	211 984
			AAA	16 629	29 149	45 778
			AA	75 977	45 814	121 791
			A	15 513	28 902	44 415

N.B.: This table does not include structural swaps which are regarded as loans-borrowings, nor exchange rate futures.

(1) The counterpart risk on derivatives related to IMF financing operations is covered by the State's general guarantee to the AFD in respect of that operation.

(2) Remaining term.

(3) The replacement cost is shown as the net positive market values. If the balance is negative, the cost is zero.

NOTE 34 - OTHER OFF-BALANCE-SHEET COMMITMENTS

					Dec. 2001	Dec. 2002
Guarantee commitments received from the French State on loans					4 063 281	3 840 176
Guarantee commitments received from credit institutions					373 457	304 598
In the context of Group lending activity					373 457	304 598
Guarantee commitments to credit institutions (1)					82 716	195 700
Guarantee commitments to clients					294 984	315 195
including Kingdom of Morocco					17 879	5 479

(1) Including €89,575,000 for commitments on cash advances granted by AFD for the write-back of SODERAG loans and €1,819,000 pertaining to SODERAG commitments.

NOTE 35 - SHAREHOLDINGS HELD FOR MANAGED FUNDS (1)

Source of funds					Number of shares (2)	Acquisition value
Overseas Departments Investment Bank (CIDOM)					7	6 605
Fund for Aid and Cooperation (FAC)					3	4 211
Fund for Investment in Social and Economic Development (FIDES)					8	4 045
Overseas Departments Investment Fund (FIDOM)					18	4 564
Other State resources					1	457
Total (2)					37	19 882

(1) This information does not form part of the statutory off-balance sheet statement.

(2) The total number of companies where shareholdings are held for managed funds is 34 and not 37, as 3 of the investments were subscribed from two sources.

NOTE 36 - REMUNERATION OF DIRECTORS

The gross annual remuneration allocated to members of the management body was €536,089.		
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NOTE 37 - CORPORATION TAX

Only AFD's income from land occupation and from its representation activities for metropolitan credit institutions in the overseas departments and territories are subject to corporation tax.
PROPARCO, BCI and SOCREDO are taxed normally. Only part of SODERAG's activities are subject to corporation tax.

NOTE 38 - BREAKDOWN OF TAX PAYABLE AND DEFERRED TAXATION

					Dec. 2001	Dec. 2002
Corporation tax					-11 544	-16 446
Tax payable					-11 846	-17 261
Deferred tax					302	815

NOTE 39 - DEFERRED TAXATION

					Dec. 2001	Dec. 2002
Net profit					157 604	120 399
Share of companies consolidated by the equity method					-3 091	-4 570
Profit before tax					154 513	115 829
Total notional tax charge (A)					-56 169	-40 916
Adjustments						
Gains and profits taxed at lower rates or exempt					370	1 386
Other non-reversible differences (1)					6 870	276
AFD's tax liability (cf. note 37)					37 926	23 653
Impact of corporation tax on the consumption (or creation) of losses carried forward					-542	-845
Total adjustments (B)					44 624	24 470
Charges net of tax per the accounts (A) + (B)					-11 544	-16 446

(1) Because of their geographical location, corporation tax rates vary for BCI and SOCREDO.

NOTE 40 - RISK EXPOSURE

The AFD operates in financial instrument markets on its own account, in connection with its own activities and activities which it manages by delegation from the French State.

These operations are carried out within the limits authorised by the Chief Executive Officer with the agreement of the Supervisory Board.

**AUDITORS' REPORT ON THE ISSUER'S
AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

Ladies and Gentlemen,

In accordance with the instructions given to us by the Supervisory Board, we have carried out an audit of the consolidated accounts of the Agence Française de Développement (AFD) for the year ended 31 December 2002, as attached to this report.

The consolidated accounts were drawn up by the Chief Executive Officer. We are required to give an opinion on those accounts, on the basis of our audit.

We have carried out our audit in accordance with generally accepted auditing standards applicable in France, which require the application of procedures such as to give reasonable assurance that the consolidated accounts do not contain material errors or misstatements. An audit entails making an examination, on a test basis, of evidence to substantiate information given in the accounts. It also entails making an assessment of the accounting principles followed and the significant estimates made in drawing up the accounts, and an assessment of their overall presentation. We consider that our audit provides a reasonable basis for the opinion given below.

We certify that the consolidated accounts give, in regard to generally accepted accounting principles in France, a true and fair view of the net income, assets and liabilities, financial position and results of the group of companies included in the consolidated accounts.

We have also checked the information given in the report on the management of the Group. We have no comments to make as to their fairness and consistency with the consolidated accounts.

Paris, 3 April 2003

The Auditors

KPMG AUDIT
Département de KPMG S.A.
Pascal BROUARD

MAZARS & GUERARD
Guillaume POTEL

Max DONGAR

**UNAUDITED CONSOLIDATED SEMI-ANNUAL
FINANCIAL STATEMENTS OF THE ISSUER**

BILAN CONSOLIDE AU 30 JUIN 2003				
				en milliers €
ACTIF	Note	31/12/2002	30/06/2002	30/06/2003
OPERATIONS INTERBANCAIRES ET ASSIMILEES		3 927 118	3 940 257	3 627 430
Caisse, banques centrales, C.C.P.		31 042	25 271	43 017
Effets publics et valeurs assimilées	1 et 2	528 279	517 857	523 002
Créances sur les établissements de crédits	3	3 367 797	3 397 129	3 061 411
à vue		549 422	588 443	402 792
à terme		2 818 375	2 808 686	2 658 619
OPERATIONS AVEC LA CLIENTELE		11 718 685	11 611 384	11 969 870
Créances sur la clientèle	4	11 718 685	11 611 384	11 969 870
créances commerciales		10 455	12 605	9 532
autres concours à la clientèle		11 673 197	11 561 447	11 928 556
comptes ordinaires débiteurs		35 033	37 332	31 782
OPERATIONS DE CREDIT-BAIL ET ASSIMILEES		63	82	41
OBLIGATIONS, ACTIONS, AUTRES TITRES A REVENU FIXE ET VARIABLE		482 714	827 694	773 962
Obligations et autres titres à revenu fixe	1 et 2	443 332	764 595	696 119
Actions et autres titres à revenu variable	1 et 2	39 382	63 099	77 843
PARTICIPATIONS, PARTS DANS LES ENTREPRISES LIEES, AUTRES TITRES DETENUS A LONG TERME		154 785	185 770	148 154
Autres titres détenus à long terme	5	123 096	123 932	122 089
Participations, parts dans les entreprises liées mises en équivalence		31 689	61 838	26 065
Non financière	7	18 011	17 173	18 680
Financière	8	13 678	44 665	7 385
IMMOBILISATIONS CORPORELLES ET INCORPORELLES	9	165 833	166 792	162 461
Immobilisations corporelles		149 561	149 855	145 827
Immobilisations incorporelles		16 272	16 937	16 634
ECARTS D'ACQUISITION		241	206	90
COMPTES DE REGULARISATION ET ACTIFS DIVERS		1 028 873	552 280	981 767
Comptes de régularisation	11	1 011 969	540 551	956 436
Autres actifs	10	16 904	11 729	25 331
Total de l'actif		17 478 312	17 284 465	17 663 775
HORS-BILAN : Engagements donnés				
Engagements de financement		2 551 403	2 967 119	2 633 546
en faveur d'établissements de crédit		676 245	844 624	791 244
en faveur de la clientèle		1 875 158	2 122 495	1 842 302
Engagements de garantie		510 895	419 280	504 540
d'ordre d'établissements de crédit		195 700	98 906	164 370
d'ordre de la clientèle		315 195	320 374	340 170
Engagements sur titres				
titres acquis avec facilité de rachat ou de reprise				

BILAN CONSOLIDE AU 30 JUIN 2003				
				en milliers €
PASSIF	Note	31/12/2002	30/06/2002	30/06/2003
OPERATIONS INTERBANCAIRES ET ASSIMILES	12	336 169	354 537	283 966
Banques centrales, C.C.P.		696	824	666
Dettes envers les établissements de crédits		335 473	353 713	283 300
à vue		79 863	55 422	62 448
à terme		255 610	298 291	220 852
OPERATIONS AVEC LA CLIENTELE	13	654 434	591 476	644 047
Comptes d'épargne à régime spécial		123 989	111 057	142 659
à vue		123 989	110 996	142 433
à terme			61	226
Autres dettes		530 445	480 419	501 388
à vue		267 244	210 988	240 038
à terme		263 201	269 431	261 350
DETTES REPRESENTEES PAR UN TITRE	14	7 997 533	7 654 770	7 987 574
Bons de caisse		24 255	27 207	23 599
Titres du marché interbancaire		28 530	23 021	23 253
Emprunts obligataires		7 944 748	7 604 542	7 940 722
COMPTES DE REGULARISATION ET PASSIFS DIVERS		4 281 082	4 495 707	4 509 928
Comptes de régularisation	11	237 482	209 624	504 448
Autres passifs	10	4 043 600	4 286 083	4 005 480
Emprunt auprès du Trésor		784 919	812 518	755 878
Fonds publics affectés		2 435 780	2 423 500	2 368 752
Subventions		384 855	415 408	354 442
Autres passifs		438 046	634 657	526 408
ECARTS D'ACQUISITION		22	7 818	
PROVISIONS POUR RISQUES ET CHARGES	15	1 168 023	1 130 963	1 023 412
DETTES SUBORDONNEES		1 345 975	1 345 721	1 406 700
FONDS POUR RISQUES BANCAIRES GENERAUX (FRBG)	16	516 620	476 255	517 458
INTERETS MINORITAIRES		89 254	82 182	86 403
Réserves consolidées		81 221	78 430	83 789
Résultat de l'exercice		8 033	3 752	2 614
CAPITAUX PROPRES PART DU GROUPE (hors FRBG)	17	1 089 200	1 145 036	1 204 287
Dotation		400 000	400 000	400 000
Réserves consolidées		651 738	651 778	689 200
Résultat de l'exercice		37 462	93 258	115 087
Total du passif		17 478 312	17 284 465	17 663 775
HORS-BILAN : Engagements reçus				
Engagements de financement		484 179	178 408	82 190
reçus d'établissements de crédit		484 179	178 408	82 190
Engagements sur titres				
titres acquis avec faculté de rachat				
Engagements de garantie		304 598	306 237	285 997
reçus d'établissements de crédit		304 598	306 237	285 997
Autres engagements		3 840 176	3 959 464	4 189 419
garanties reçues de l'Etat Français		3 840 176	3 959 464	4 189 419

COMPTE DE RESULTAT CONSOLIDE AU 30 JUIN 2003				
	Note	31/12/2002	30/06/2002	30/06/2003
en milliers €				
Produits et charges d'exploitation bancaire				
+ Intérêts et produits assimilés	19	964 229	501 437	479 621
Sur opérations avec les établissements de crédit		163 673	81 751	77 547
Sur opérations avec la clientèle		474 945	259 309	235 232
Sur obligations et autres titres à revenu fixe		47 431	24 884	19 700
Autres intérêts et produits assimilés		278 180	135 493	147 142
- Intérêts et charges assimilés	20	843 204	424 602	400 867
Sur opérations avec les établissements de crédit		58 879	25 641	28 523
Sur opérations avec la clientèle		38 629	23 837	17 922
Sur obligations et autres titres à revenu fixe		555 150	278 921	260 668
Autres intérêts et charges assimilées		190 546	96 203	93 754
+ Revenus des titres à revenu variable		4 624	2 848	1 954
+ Commissions (produits)		39 533	20 768	16 216
- Commissions (charges)		5 265	2 643	2 688
+ Gains ou pertes sur opérations des portefeuilles de placement et assimilés		-526	328	-396
Solde en bénéfice ou en perte des opérations / titres de transaction				
Solde en bénéfice ou perte des opérations / titres de placement		-16	328	240
Solde en bénéfice ou en perte des opérations de change				
Solde en bénéfice ou en perte des opérations sur instruments financiers		-510		-636
+ Autres produits d'exploitation bancaire	21	260 896	125 818	126 264
- Autres charges d'exploitation bancaire	22	28 978	15 344	19 528
= PRODUIT NET BANCAIRE		391 309	208 610	200 576
Autres produits et charges ordinaires				
- Charges générales d'exploitation		165 891	75 595	80 654
Frais de personnel	23	122 915	57 357	59 774
Autres frais administratifs		42 976	18 238	20 880
- Dotation aux amortissements et aux provisions sur immobilisations incorporelles et corporelles		19 031	8 938	9 452
= RESULTAT BRUT D'EXPLOITATION		206 387	124 077	110 470
+ Coût du risque	25	-98 848	-25 707	25 754
= RESULTAT D'EXPLOITATION		107 539	98 370	136 224
+ Quote-part résultat net des entreprises mises en équivalence		4 570	1 508	1 638
Non financières		1 797	958	669
Financières		2 773	550	969
+ Gains ou pertes sur actifs immobilisés		-7 068	7 232	-14 637
= RESULTAT COURANT AVANT IMPOT		105 041	107 110	123 225
+ Résultat exceptionnel		775	968	-61
- Impôt sur les bénéfices		-16 446	-8 621	-4 496
- Dotation aux amortissements des écarts d'acquisition		-169	891	-129
+ Dotation ou reprise des FRBG		-43 704	-3 338	-838
+ Intérêts minoritaires		-8 035	-3 752	-2 614
RESULTAT NET - PART DU GROUPE		37 462	93 258	115 087

INFORMATIONS COMPLEMENTAIRES
SUR LES POSTES DES ETATS PUBLIABLES CONSOLIDES
(en milliers €)

Note 1 - Titres de placement ⁽¹⁾

	Déc 2002			Juin 2002			Juin 2003		
	Titres cotés	Titres non cotés	Total	Titres cotés	Titres non cotés	Total	Titres cotés	Titres non cotés	Total
Effets publics et valeurs assimilées	29 540		29 540	22 624		22 624	24 632		24 632
créances rattachées	657		657	797		797	874		874
provisions pour dépréciation	-1		-1	-213		-213	-94		-94
Total net	30 196		30 196	23 208		23 208	25 412		25 412
Obligations et autres titres à revenu fixe	9 220	150 049	159 269	9 220	453 049	462 269	6 263	420 869	427 132
créances rattachées	303	562	865	239	3 652	3 891	212	837	1 049
provisions pour dépréciation	0		0		-11	-11	0	-20	-20
Total net	9 523	150 611	160 134	9 459	456 690	466 149	6 475	421 686	428 161
Actions et autres titres à revenu variable		40 618	40 618		63 865	63 865		79 031	79 031
provisions pour dépréciation		-1 236	-1 236		-766	-766		-1 189	-1 189
Total net	0	39 382	39 382	0	63 099	63 099	0	77 842	77 842
Total valeur nette	39 719	189 993	229 712	32 667	519 789	552 456	31 887	499 528	531 415

(1) Le montant élevé du portefeuille résulte des émissions importantes d'emprunts obligataires dont une partie des fonds n'a été utilisée qu'en juillet 2002.

Note 2 - Titres d'investissement ⁽¹⁾

	Déc 2002			Juin 2002			Juin 2003		
	Titres cotés	Titres non cotés	Total	Titres cotés	Titres non cotés	Total	Titres cotés	Titres non cotés	Total
Effets publics et valeurs assimilées	485 804		485 804	481 200		481 200	484 178		484 178
créances rattachées	12 278		12 278	13 449		13 449	13 411		13 411
Total net	498 082		498 082	494 649		494 649	497 589		497 589
Obligations et autres titres à revenu fixe	91 370	188 526	279 896	97 176	197 946	295 122	91 357	173 541	264 898
créances rattachées	3 023	280	3 303	2 967	357	3 324	2 769	293	3 062
Total net	94 393	188 806	283 199	100 143	198 303	298 446	94 126	173 834	267 960
Total valeur nette	592 475	188 806	781 281	594 792	198 303	793 095	591 715	173 834	765 549

(1) Total des postes du bilan : Effets publics et valeurs assimilées, Obligations et autres titres à revenu fixe, Actions et autres titres à revenu variable, soit 1 296 963 milliers € au 30 juin 2003.

Note 3 - Créances sur les établissements de crédit

	Déc 2002			Juin 2002			Juin 2003		
	A vue	A terme	Total	A vue	A terme	Total	A vue	A terme	Total
Comptes ordinaires	206 051		206 051	244 694		244 694	165 151		165 151
Prêts aux établissements de crédit	342 726	2 820 565	3 163 291	342 856	2 809 722	3 152 608	237 179	2 660 054	2 897 233
- dont placement interbancaire	342 678	39 494	382 172	342 874	31 140	374 014	237 131	45 306	282 437
- dont activité de prêts	48	2 703 189	2 703 237	-18	2 732 267	2 732 249	48	2 536 294	2 536 342
- dont échanges de structure		77 882	77 882		46 345	46 345		78 454	78 454
Créances rattachées	645	20 601	21 246	893	19 598	20 491	462	19 571	20 033
Provisions pour dépréciation		-22 791	-22 791		-20 634	-20 634		-21 006	-21 006
Total	549 422	2 818 375	3 367 797	588 443	2 808 686	3 397 129	402 792	2 658 619	3 061 411

Le niveau important des comptes ordinaires fait suite à un remboursement reçu d'une échéance de 73 019 milliers d'euros en date du 27 juin 2002.

Note 4 - Créances sur la clientèle

	Déc 2002	Juin 2002	Juin 2003
Crédits à la clientèle	12 506 005	12 314 516	12 539 660
Créances rattachées	62 465	67 011	69 743
Provisions pour dépréciation	-849 785	-770 143	-639 533
Total	11 718 685	11 611 384	11 969 870

Note 5 - Autres titres détenus à long terme

	Déc 2002	Juin 2002	Juin 2003
Valeur brute	149 485	151 490	151 097
Réévaluation titres de l'activité de portefeuille et autres titres détenus à long terme	843	843	843
Ecart de conversion	13 788	12 908	15 537
Créances rattachées	440	471	388
Provisions pour dépréciation	-41 460	-41 780	-45 776
Total net	123 096	123 932	122 089

Note 6 - Principales participations non consolidées.

	Pays	Valeur d'acquisition	% de détention
STB	Tunisie	7 350	2,6
Gari	Togo	5 335	27,0
Compagnie Camerounaise d'Aluminium	Cameroun	5 940	5,6
Air Afrique	Cote d'Ivoire	7 622	8,9
West African Growth Fund (WAFG)	Luxembourg	3 971	13,2

Note 7 - Parts dans les entreprises liées mises en équivalence - Non financières

		Déc 2002	Juin 2002	Juin 2003
Société immobilière de Nouvelle Calédonie (SIC)	Nelle Calédonie	14 407	14 020	14 881
Simar	Martinique	3 376	2 925	3 571
SAS Poum-Koniambo	France métro.	228	228	228
Total		18 011	17 173	18 680

Note 8 - Parts dans les entreprises liées mises en équivalence - financières

		Déc 2002	Juin 2002	Juin 2003
Sodep	France métro.	381	375	401
Sociétés de crédit des DOM (mises en équivalence chez AFD) ⁽¹⁾	DOM	13 297	44 290	6 984
Total		13 678	44 665	7 385

(1) La variation de ce poste s'explique par l'acquisition de parts de la Sodema dont le pourcentage de détention s'élève au 30 juin 2002 à 72,8%.

Note 9 - Immobilisations et amortissements

	Déc 2002	Cessions	Virements	Juin 2003
Valeur brute				
Terrains et aménagements	68 440	50		68 390
<i>dont nouveau siège</i>	<i>64 384</i>			<i>64 384</i>
Constructions et aménagements	98 218	98	-22	98 098
<i>dont nouveau siège</i>	<i>58 716</i>			<i>58 716</i>
Autres immobilisations corporelles	88 419	1 411	22	87 030
Immobilisations incorporelles	36 798	72		36 726
Montant brut	291 875	1 631	0	290 244
Amortissements	Déc 2002	Reprises	Divers	Juin 2003
Terrains et aménagements	1 214			1 214
Constructions et aménagements	48 166	49	-22	48 095
Autres immobilisations corporelles	56 009	1 307	22	54 724
Immobilisations incorporelles	20 460	72		20 388
Montant des amortissements	125 849	1 427	0	124 422
Provisions pour dépréciation	193	0		193
Montant net	166 026			165 629

Note 10 - Autres actifs et autres passifs

	Déc 2002		Juin 2002		Juin 2003	
	Actif	Passif	Actif	Passif	Actif	Passif
Emprunts auprès du Trésor		784 919		812 518		755 878
Fonds publics affectés		2 435 780		2 423 500		2 368 752
Subventions		384 855		415 408		354 442
Compte créditeur Etat Français (Subventions)		338 142		431 315		391 674
Autres	12 705	99 904	10 327	203 342	20 991	134 734
Débiteurs douteux	10 700		11 442		11 440	
Prov. débiteurs douteux	-6 501		-10 040		-7 100	
Total	16 904	4 043 600	11 729	4 286 083	25 331	4 005 480

Note 11 - Comptes de régularisation

	Déc 2002		Juin 2002		Juin 2003	
	Actif	Passif	Actif	Passif	Actif	Passif
Comptes d'ajustement devises et écart sur devises	596 101		169 187		585 870	
Produits à recevoir et charges à payer sur swaps	145 115	92 158	116 546	69 680	116 463	67 336
Produits et charges à répartir	82 400	61 399	63 321	72 900	44 882	60 724
Autres comptes de régularisation ⁽¹⁾	188 353	83 925	191 497	67 044	209 221	376 388
Total	1 011 969	237 482	540 551	209 624	956 436	504 448

(1) reversement au Trésor sur la dette RDC de 280 531 milliers d'euros.

Note 12 - Dettes envers les établissements de crédit

	Déc 2002		Juin 2002		Juin 2003	
	A vue	A terme	A vue	A terme	A vue	A terme
Banque Centrale, CCP	696		824		666	
Dettes envers les établissements de crédit	79 820	253 293	55 402	295 979	62 440	219 236
Dettes rattachées	44	2 316	19	2 313	8	1 616
Total	80 560	255 609	56 245	298 292	63 114	220 852

Note 13 - Comptes créditeurs de la clientèle

	Déc 2002		Juin 2002		Juin 2003	
	A vue	A terme	A vue	A terme	A vue	A terme
Comptes créditeurs de la clientèle	391 153	258 561	321 868	265 352	382 436	257 176
Dettes rattachées	80	4 640	116	4 140	35	4 400
Total	391 233	263 201	321 984	269 492	382 471	261 576

Note 14 - Dettes représentées par un titre

	Déc 2002	Juin 2002	Juin 2003
Titres du marché interbanc. et créances négociables	28 501	22 974	23 226
Emprunts obligataires	7 647 539	7 410 210	7 773 767
Bons de caisse	24 255	27 207	23 599
s/s total	7 700 295	7 460 391	7 820 592
Dettes rattachées	297 238	194 379	166 982
Total	7 997 533	7 654 770	7 987 574

Note 15 - Provisions pour risques et charges

			Jun 2003		
	Déc 2002	Juin 2002	Dotations	Reprises	Juin 2003
Risque-pays prêts souverains	408 349	394 301	0	102 507	305 842
Risque-pays Prêts non souverains	160 951	169 408	2 632	3 368	160 215
Restes à verser sur créances saines	24 078	21 068	0	3 211	20 867
Participations	3 992	2 399	154	0	4 146
Risque-pays - p/c Proparco	266 444	229 006	0	25 365	241 079
Risque-pays - Proparco	8 057	7 133	0	115	7 942
Intérêts impayés sur créances normales	5 618	6 859	211	0	5 829
Restes à verser sur créances douteuses	2 325	4 740	0	285	2 040
Fonds de garantie émission FCFA	0	0	0	0	0
Autres fonds de garantie	1 265	1 346	4	10	1 259
Risques filiales DOM	67 861	61 854	2 257	7 670	62 448
Risque divers Soderag	14 540	11 327	336	407	14 469
Risque divers BCI	1 354	569	390	0	1 744
Risque divers Socredo	7 660	5 557	3 297	5 939	5 018
Risque divers Sofider	3 817	5 018	585	549	3 853
Provision pour contribution aux opérations de traitement de dette	80 735	80 735	0	0	80 735
Eventualités diverses	26 118	46 679	755	4 921	21 952
Provision sur opération de garantie emprunt Maroc	7 319	14 242	0	885	6 434
Risques divers : pertes de change	9 296	9 820	0	0	9 296
Provisions pour grosses réparations et frais administratifs ^{(1) (2)}	3 117	3 053	0	0	3 117
Charges de personnel ⁽¹⁾	65 128	55 850	0	0	65 128
Total	1 168 023	1 130 963	10 621	155 232	1 023 412

(1) Ces provisions ne figurent pas dans le poste "coût du risque" note 25.

(2) ce poste comprend une provision pour grosses réparations concernant les dépenses faisant l'objet de programmes pluriannuels de grosses réparations ou de grandes révisions, maintenue en application du règlement 2002-10 du 12 décembre 2002, et de l'avis du 9 juillet 2003 du comité d'urgence du CNC.

Note 16 - Fonds pour risques bancaires généraux

			Juin 2003		
	Déc 2002	Juin 2002	Dotations	Reprises	Juin 2003
Provision pour risques généraux AFD	460 000	425 000	0		460 000
Provision pour risques généraux Proparco	15 787	13 787	0		15 787
Provision pour risques généraux BCI	15 969	15 131	838		16 807
Provision pour risques généraux Socredo	9 742	9 742			9 742
Provision pour risques généraux Sofider	15 123	12 595	0		15 123
Total	516 620	476 255	838	0	517 458

Note 17 - Tableau de variation des capitaux propres - Part du groupe

	Capital	Primes	Réserves consolidés	Affectations	Total capitaux propres
Situation à la clôture 2002	400 000		651 738		1 051 738
Résultat 2002				37 462	37 462
Résultat affecté aux réserves			37 462	-37 462	
Résultat 30/06/2003				115 087	115 087
Situation à la clôture 30/06/2003	400 000		689 200	115 087	1 204 287

Note 18 - Formation et composition des fonds propres réglementaires (Règlement C.R.B.F. n° 90-02)

	Déc 2002	Juin 2002	Juin 2003
Fonds propres de base	1 678 583	1 694 354	1 791 424
Capital	400 000	400 000	400 000
Réserves	616 672	616 846	635 369
Différences sur mises en équivalence	35 066	34 932	53 831
Résultat de l'exercice (résultat des minoritaires compris)	45 495	97 010	117 701
Ecart d'acquisition	-219	7 818	-90
Intérêts minoritaires	81 221	78 430	83 789
FRBG	516 620	476 255	517 458
Immobilisations incorporelles	-16 272	-16 937	-16 634
Fonds propres complémentaires	1 222 865	1 261 161	1 245 753
Emprunts subordonnés	839 292	847 177	895 712
Subventions publiques	383 573	413 984	350 041
Participations dans les établissements de crédit ou financiers	-22 289	-53 271	-14 722
Participations dans les établissements de crédit supérieures à 10 %	-8 611	-8 606	-7 337
Participations consolidées par mise en équivalence	-13 678	-44 665	-7 385
Total des fonds propres réglementaires	2 879 159	2 902 243	3 022 455

Note 19 - Intérêts et produits assimilés

	Déc 2002	Juin 2002	Juin 2003
Intérêts et produits s/opérations avec les établissements de crédit	163 673	81 751	77 547
Intérêts sur prêts	94 289	48 142	43 896
Intérêts sur placements	6 627	3 906	1 915
Produits sur instruments financiers à terme	62 757	29 703	31 736
Intérêts et produits s/opérations avec la clientèle	474 945	259 309	235 232
Intérêts et produits s/obligations et autres titres à revenu fixe	47 431	24 884	19 700
Titres de placement	9 844	5 960	2 076
Titres d'investissement	37 587	18 924	17 624
Autres intérêts et produits assimilés	278 180	135 493	147 142
Produits sur instruments financiers à terme (échange de dette)	278 180	135 493	147 142
Total	964 229	501 437	479 621

Note 20 - Intérêts et charges assimilées

	Déc 2002	Juin 2002	Juin 2003
Intérêts et charges s/opérations avec les établissements de crédit	58 879	25 641	28 523
Intérêts sur comptes créditeurs	6 947	2 961	3 153
Charges sur instruments financiers à terme	39 428	18 157	22 410
Intérêts sur emprunts	12 504	4 523	2 960
Intérêts et charges s/opérations avec la clientèle	38 629	23 837	17 922
Intérêts et charges s/dette subordonnée	9 279	4 622	4 713
Autres Intérêts et charges s/opérations avec la clientèle	29 350	19 215	13 209
Intérêts et charges s/obligations et autres titres	555 150	278 921	260 668
Intérêts sur titres du marché interb.et créances négociables	721	372	2 451
Intérêts sur emprunts obligataires	554 429	278 549	258 217
Autres intérêts et charges assimilées	190 546	96 203	93 754
Charges sur instruments financiers à terme (échange de dette)	181 909	91 831	89 714
Intérêts sur fonds publics affectés	8 637	4 372	4 040
Total	843 204	424 602	400 867

Note 21 - Autres produits d'exploitation bancaire

	Déc 2002	Juin 2002	Juin 2003
Autres produits d'exploitation bancaire	260 896	125 818	126 264
Transfert de charges d'emprunts	1 691		3 903
Bonifications et garantie de change sur intérêts d'emprunts	163 680	81 298	75 476
Autres produits bancaires	95 525	44 520	46 885
Gains de change			

Note 22 - Autres charges d'exploitation bancaire

	Déc 2002	Juin 2002	Juin 2003
Pertes de change	3 391	2 940	1 888
Autres charges	25 587	12 404	17 640
Total	28 978	15 344	19 528

Note 23 - Charges générales d'exploitation - Frais de personnel

	Déc 2002	Juin 2002	Juin 2003
Salaires et traitements	86 979	44 122	45 702
Charges sociales	35 101	15 973	16 536
Intéressement	1 922	1 264	1 327
Impôts, taxes et versements assimilés sur rémunérations	5 056	2 368	2 455
Dotations/Reprises sur provisions	6 564	31	0
Refacturation personnel institut	-12 707	-6 401	-6 246
Total	122 915	57 357	59 774

Note 24 - Provisions pour dépréciation d'actif

	Déc 2002	Juin 2002	Juin 2003		Juin 2003
			Dotations	Reprises	
Intérêts impayés sur prêts	584 524	529 075	19 930	235 180	369 274
Risques individualisés sur prêts	294 556	271 742	34 670	30 843	298 383
Dépréciation des participations ⁽¹⁾	75 523	41 780	21 570	514	96 579
Dépréciation des titres de placement ⁽²⁾	1 237	991	172	106	1 303
Dépréciation des immobilisations corporelles et incorporelles	2 094	175	23	108	2 009
Total	957 934	843 763	76 365	266 751	767 548

(1) dont 171 milliers d'euros correspondant à l'écart de conversion sur provisions pour dépréciation (position de change structurelle).

(2) dont 2 milliers d'euros correspondant aux écarts de change sur reprise de provision

Note 25 - Coût du risque ⁽¹⁾

	Déc 2002	Juin 2002	Juin 2003		
			Dotations	Reprises	Total
Provisions pour risques et charges (note 15)	66 209	23 638	8 554	152 982	-144 428
Dépréciation pour créances douteuses en capital (note 24)	23 356	542	34 670	30 843	3 827
Pertes sur créances irrécouvrables en capital	9 283	1 527	115 559	712	114 847
Total	98 848	25 707	158 783	184 537	-25 754

(1) Ces chiffres ne comprennent pas les trois dernières lignes de la note 15, ainsi que la deuxième ligne de la note 24.

PERIMETRE DE CONSOLIDATION DU GROUPE AFD
(en pourcentage d'intérêt)

	30-06-2003	30-06-2002	31-12-2002
Sociétés intégrées globalement			
SOFIDER	52,62%	51,35%	51,35%
PROPARCO	68,10%	69,97%	68,10%
SODERAG	100,00%	100,00%	100,00%
Sociétés intégrées proportionnellement			
Banque SOCREDO	50,00%	50,00%	50,00%
B.C.I.	50,00%	50,00%	50,00%
Sociétés mises en équivalence financières			
SODEP	14,10%	14,10%	14,10%
SODEMA	77,60%	72,80%	72,80%
SODEGA	91,67%	38,33%	43,00%
SOFIDEG	86,10%	38,94%	38,95%
Sociétés mises en équivalence non financières			
SIC	50,00%	50,00%	50,00%
SIMAR	22,27%	22,27%	22,27%
SAS Poum/Koniambo	99,87%	99,87%	99,87%

ANNEXE AU BILAN ET AU COMPTE DE RESULTAT AU 30 JUIN 2003

1. Principes comptables et méthodes d'évaluation

Les comptes de l'AGENCE FRANCAISE DE DEVELOPPEMENT au 30 juin 2003 ont été établis en conformité avec les recommandations 99-R- 01 et 2001-R-02 du Conseil National de la Comptabilité relatives à l'établissement des comptes intermédiaires

Ceux-ci comprennent le bilan, le compte de résultat et l'annexe qui complète l'information donnée par les deux premiers documents.

Les principes comptables généralement acceptés ont été appliqués dans le respect du principe de prudence, conformément aux hypothèses de base :

- Continuité de l'exploitation
- Indépendance des exercices
- Permanence des méthodes

Application du Règlement 2002-03 du Comité de la Réglementation Comptable

Le règlement 2002-03 du CRC est applicable à compter du 1er janvier 2003. Il est relatif :

- aux principes d'identification des encours douteux
- aux règles de provisionnement
- aux informations à publier sur le risque de crédit.

Les changements résultant de la première application de ce règlement doivent être traités comme des changements de méthodes comptables. Pour l'établissement des comptes au 30 juin 2003, il n'a pas été identifié d'impact suite à la première application de ce règlement, ni sur les capitaux propres, ni sur le résultat.

Concernant les informations à publier sur le risque de crédit, il a été nécessaire d'adapter les systèmes d'information afin d'être en conformité avec la nouvelle réglementation : des aménagements sont en cours à la date d'arrêté des comptes et doivent permettre de fournir l'information nécessaire pour les comptes publiables au 31 décembre 2003.

2. Périmètre de consolidation

Au 30 juin 2003, le périmètre de consolidation contient les mêmes sociétés qu'au 31 décembre 2002, et les méthodes de consolidation sont identiques.

Il est à noter que la SODEMA, la SODEGA et la SOFIDEG continuent à être consolidées par mise en équivalence, car la prise de participation par l'AFD a pour unique but de réaliser une opération juridique en vue d'un partenariat bancaire.

La liste des sociétés consolidées, ainsi que le pourcentage de détention et la méthode de consolidation employée (par intégration globale, proportionnelle ou par mise en équivalence) figurent en annexe à la présente note.

3. Eléments saisonniers

De par son activité, les sociétés composant le groupe ne sont pas soumises à des cycles d'exploitation saisonnier ayant une incidence sur la lecture des comptes consolidés.

4. Evènements de la Période

Aucun événement significatif, pouvant avoir une incidence sur les comptes intermédiaires, n'est intervenu durant le premier semestre 2003.

5. Evènements significatifs postérieurs au 30 juin 2003

Aucun élément significatif, postérieur à la date du 30 juin et qui n'aurait pas été pris en compte par l'établissement des comptes à cette date, n'est intervenu.

Dans la continuation du processus de cession engagé en 2002, l'AFD a signé le 19 septembre 2003 avec la BRED un contrat de cession des actions des quatre sociétés de crédit des DOM. Les provisions destinées à couvrir les moins values latentes constatées dans les comptes au 31 décembre 2002 ont donc été réestimées pour l'établissement des comptes au 30 juin 2003.

6. Emission, rachats ou remboursements d'emprunts

Au cours du premier semestre 2003, l'AFD a émis quatre emprunts libellés en devise étrangère dans le cadre d'un programme EMTN, aux conditions suivantes avant swap :

- 10 milliards de yen (soit 72,8⁽¹⁾ millions d'euros), au taux de 1 %, échéance 2014 ;
- 200 millions de livres sterling (soit 288,5 millions d'euros), au taux de 4,875 %, échéance 2013 ;
- 200 millions de francs suisse (soit 128,7 millions d'euros), au taux de 2 %, échéance 2010 ;
- 150 millions de francs suisse (soit 96,5 millions d'euros), au taux de 2 %, échéance 2010.

L'AFD a également émis un emprunt de 300 millions d'euros, au taux de 3,875 % et échéance 2013.

7. Variation des capitaux propres

L'évolution des capitaux propres (part du groupe) est retracée dans la note 17 du présent document.

⁽¹⁾ Contrevaletur en euros au 30 juin 2003

**AUDITORS' LIMITED REVIEW REPORT ON THE ISSUER'S UNAUDITED
CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS**

**Rapport des commissaires aux comptes sur l'examen limité des comptes semestriels consolidés
comptes arrêtés au 30 juin 2003**

Mesdames, Messieurs,

A la suite de la demande qui nous a été faite et en notre qualité de commissaire aux comptes de l'Agence Française de Développement, nous avons procédé à :

- l'examen limité des comptes intermédiaires consolidés de l'Agence Française de Développement, relatifs à la période du 1er janvier 2003 au 30 juin 2003, tels qu'ils sont joints au présent rapport,
- la vérification des informations données dans le rapport semestriel.

Ces comptes intermédiaires consolidés ont été établis sous la responsabilité de votre Directeur Général. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

Nous avons effectué cet examen selon les normes professionnelles applicables en France ; ces normes requièrent la mise en œuvre de diligences limitées conduisant à une assurance, moins élevée que celle résultant d'un audit, que les comptes intermédiaires ne comportent pas d'anomalies significatives. Un examen de cette nature ne comprend pas tous les contrôles propres à un audit, mais se limite à mettre en œuvre des procédures analytiques et à obtenir des dirigeants et de toute personne compétente les informations que nous avons estimées nécessaires.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause, au regard des règles et principes comptables français, la régularité et la sincérité des comptes intermédiaires consolidés et l'image fidèle qu'ils donnent du résultat des opérations du semestre ainsi que de la situation financière et du patrimoine de l'ensemble constitué par les entreprises comprises dans la consolidation à la fin de ce semestre.

Sans remettre en cause la conclusion exprimée ci-dessus, nous attirons votre attention sur la partie 1 de l'annexe qui expose un changement de méthode comptable lié à la première application du règlement CRC n°2002-03 relatif au traitement comptable du risque de crédit.

Nous avons également procédé, conformément aux normes professionnelles applicables en France, à la vérification des informations données dans le rapport semestriel commentant les comptes intermédiaires consolidés sur lesquels a porté notre examen limité.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes intermédiaires consolidés.

Fait à Paris La Défense, le 15 Octobre 2003

Les commissaires aux comptes

**KPMG AUDIT
DEMARTEMENT DE KPMG S.A.**

MAZARD & GUERARD

Pascal Brouard

Guillaume Potel

Max Dongar

SUBSCRIPTION AND SALE

Société Générale and Barclays Bank PLC (the "**Joint Lead Managers**") and Deutsche Bank AG London ("**Senior Co-Lead Manager**", together with the Joint Lead Managers, the "**Managers**") have pursuant to a subscription agreement dated 20 April 2004 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at a price equal to 100 per cent. of their principal amount. The Issuer has agreed to reimburse the Managers in respect of certain of their legal and other expenses incurred in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Offering Circular or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Republic of France

Each of the Managers and the Issuer has acknowledged that the Notes being denominated in euro, are deemed to be issued outside the Republic of France and, accordingly, has represented and agreed that in connection with their initial distribution, (i) it has not offered or sold and will not offer or sell, directly or indirectly, the Notes to the public in the Republic of France and (ii) offers and sales of Notes in the Republic of France will be made only to qualified investors ("*investisseurs qualifiés*") as defined in and in accordance with Article L.411-2 of the French *Code monétaire et financier* and *décret* no. 98-880 dated 1 October 1998. In addition, each of the Managers and the Issuer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed, in the Republic of France this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described as above.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that it will not offer or sell the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of issue of the Notes, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Financial Services and Markets Act 2000 (the "FSMA");
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

Each Manager has represented and agreed that any offering, marketing, solicitation or selling activity in relation to the Notes in Italy shall be effected in accordance with any applicable Italian laws and regulations, including without limitation, if applicable: (i) the requirement to notify the Bank of Italy of the offer of the Notes in Italy pursuant to Article 129 of decreto legislativo n. 385 of 1 September 1993 ("**Article 129**"); and (ii) the requirement to produce and distribute to prospective purchasers a Foglio Informativo in accordance with the relevant Bank of Italy regulations. This offering of the Notes has not been acknowledged by the Bank of Italy pursuant to Article 129. Therefore, the Notes may not be offered or sold, nor may copies of this Offering Circular or of any document relating to the Notes be distributed in Italy.

GENERAL INFORMATION

- 1 The Notes have been accepted for clearance through Euroclear France and Clearstream, Luxembourg and Euroclear with the Common Code number of 019078868. The International Securities Identification Number (ISIN) for the Notes is FR0010074328.
- 2 Application has been made to list the Notes on the *Premier Marché* of Euronext Paris S.A., and Luxembourg Stock Exchange.
- 3 For the sole purpose of the listing of the Notes on the *Premier Marché* of Euronext Paris S.A. and pursuant to articles L. 412-1 and L. 621-8 of the *Code monétaire et financier*, this Offering Circular has been submitted to the clearance procedures of the *Autorité des marchés financiers* and has received *visa* n°04-289 dated 16 April 2004.
- 4 The legal notice relating to the listing of the Notes on the *Premier Marché* of Euronext Paris S.A. will be published in the *Bulletin des Annonces légales obligatoires* ("BALO") dated 21 April 2004.
- 5 In connection with the application for the listing of the Notes on the Luxembourg Stock Exchange, the legal notice relating to the issue of the Notes and copies of the constitutive documents of the Issuer will be lodged with the Trade Register in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*) prior to the listing thereof, where such documents are available for inspection and where copies thereof can be obtained.
- 6 The issue of the Notes was authorised pursuant to a resolution of the Supervisory Board of the Issuer adopted on 8 January 2004.
- 7 Save as disclosed in the Offering Circular, there has been no material adverse change in the financial or trading position of the Issuer or the Group since 31 December 2002.
- 8 The Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.
- 9 The Issuer publishes (i) audited annual consolidated and non-consolidated accounts and (ii) semi-annual consolidated and non-consolidated accounts. Copies of the latest and future published *Document de Référence*/Financial Report of the Issuer, including its consolidated and non-consolidated accounts, and the latest and future published unaudited semi-annual consolidated and non-consolidated accounts of the Issuer, may be obtained from, and copies of the Fiscal Agency Agreement and the constitutive documents of the Issuer will be available for inspection at, the specified offices for the time being of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- 10 KPMG Audit and Mazars & Guérard have audited and rendered unqualified audit reports on the non-consolidated and consolidated financial statements of the Issuer for the financial years ended 31 December 2001 and 2002.
- 11 Legal opinions in connection with the issue of the Notes will be given by Clifford Chance, SELAFA, legal advisers to the Issuer as to French law, and by Linklaters, legal advisers to the Managers as to French law.
- 12 The specialist broker in respect of the Notes is SG Securities (Paris) S.A.
- 13 The Paying Agent in Paris is Société Générale.
- 14 For so long as any of the Notes remains listed on the *Premier Marché* of Euronext Paris S.A. and the rules of that exchange so require notices in respect of the Notes will be published in a leading daily economic and financial newspaper having general circulation in France (which is expected to be *Les Echos* or *La Tribune*).
- 15 On 3 June 2003, the European Council has adopted a new directive regarding the taxation of savings income (the "**Directive**"). Subject to certain conditions being met, it is proposed that Member States will be required as from 1 January 2005, the expected date of implementation of the Directive, to provide to the tax authorities

of another Member State details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent within its jurisdiction to or for the benefit of an individual resident in that other Member State (the “**Disclosure of Information Method**”).

In this way, the term “**paying agent**” would be defined widely and would include in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria) would withhold an amount on interest payments instead of using the Disclosure of Information Method used by other Member States. The rate of such withholding tax would equal 15 per cent. as from 1 January 2005, 20 per cent. as from 1 January 2008, and 35 per cent. as from 1 January 2011.

According to the agreement reached by ECOFIN Council, such transitional period would end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (the United-States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

INFORMATIONS RELATIVES A L'ADMISSION A LA COTE D'EURONEXT PARIS S.A.

Personnes qui assument la responsabilité du présent Prospectus

Au nom de l'émetteur

A la connaissance de l'émetteur, les données du présent Prospectus sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Aucun élément nouveau (autres que ceux mentionnés dans le présent Prospectus) intervenu depuis le 14 mai 2003 date du numéro de dépôt n°D.03-0697 apposé par la Commission des opérations de bourse sur le Document de Référence n'est susceptible d'affecter de manière significative la situation financière de l'émetteur dans le contexte de la présente émission.

Patrice MOLLIE
Directeur Financier
AGENCE FRANCAISE DE DEVELOPPEMENT

Au nom de l'établissement présentateur

A la connaissance de l'établissement présentateur les données du présent Prospectus sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Benoît OTTENWAEALTER
Directeur des Marchés de Taux, Change et Matières Premières
SOCIETE GENERALE

Visa de l'Autorité des marchés financiers

En application des articles L. 412-1 et L. 621-8 du Code monétaire et financier, l'Autorité des marchés financiers a apposé le visa n°04-289 en date du 16 avril 2004 sur le présent document, qui constitue le prospectus prévu par les articles précités, conformément aux dispositions du règlement COB n°98-01. Ce Prospectus a été établi par l'émetteur et engage la responsabilité de ses signataires. Le visa n'implique ni approbation de l'opportunité de l'opération ni authentification des éléments comptables et financiers présentés. Il a été attribué après examen de la pertinence et de la cohérence de l'information donnée dans la perspective de l'opération proposée aux investisseurs.

La notice légale sera publiée au Bulletin des Annonces légales obligatoires (BALO) du 21 avril 2004.

Paris listing information

Translation of the preceding page for information purposes only

Individuals assuming responsibility for this Offering Circular

In the name of the Issuer

To the best knowledge of the Issuer, the information contained in this Offering Circular is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

No new event (other than those mentioned in this Offering Circular) has occurred since 14 May 2003, date of the filing number no. D.03-0697 granted by the *Commission des opérations de bourse* on the *Document de Référence*/Financial Report is likely to materially affect the financial position of the Issuer in the context of this issue.

Patrice MOLLIE

Finance Director

AGENCE FRANCAISE DE DEVELOPPEMENT

In the name of the Listing Agent

To the best knowledge of the Listing Agent, the information contained in this Offering Circular is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

Benoît OTTENWAEELTER

Head of Fixed Income, Treasury and Commodities Debt and Finance

SOCIETE GENERALE

Visa of the *Autorité des marchés financiers*

In accordance with articles L.412-1 and L.621-8 of the *Code monétaire et financier*, the *Autorité des marchés financiers* has granted the *visa* no. 04-289 dated 16 April 2004 on this document, which constitutes the offering circular provided by the above-mentioned articles, in accordance with the provisions of the COB regulation no. 98-01. This Offering Circular has been prepared by the issuer and its signatories may be held liable for it. The granting of the *visa* shall not imply any approval of the suitability of the transaction nor any authentication of the accounting and financial data that is presented herein. It was granted following an examination of the relevance and consistency of the information presented herein in light of the transaction being proposed to investors.

The legal notice will be published in the *Bulletin des Annonces légales obligatoires (BALO)* of 21 April 2004.

REGISTERED OFFICE OF THE ISSUER
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LUXEMBOURG LISTING AGENT**

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