

AGENCE FRANCE LOCALE

Balance sheet

Assets as of 31th of December 2015

(€ '000s)	Notes	31/12/2015	31/12/2014
Cash and central banks			
Government paper and similar securities	1	402 894	13 309
Receivables on credit institutions	2	45 982	5 919
Loans and advances to customers	4	384 873	
Bonds and other fixed income securities	1	50 491	17 446
Equities and other variable income securities			
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies			
Intangible assets	5	8 759	5 829
Property, plant and equipment	5	630	649
Other assets	6	13 640	1 536
Accruals	6	6 164	26
TOTAL ASSETS		913 432	44 714

Liabilities as of 31th of December 2015

(€ '000s)	Notes	31/12/2015	31/12/2014
Central banks			
Due to banks	3		15 800
Customer borrowings and deposits			
Debt securities	7	848 059	
Other liabilities	8	1 584	1 157
Accruals	8	9 599	
Provisions	9	17	3
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	10	54 173	27 754
Share capital		74 300	35 800
Additional paid-in capital			
Reserves and retained earnings			
Revaluation differences			
Regulated provisions and investment subsidies			
Retained earnings (+/-)		(8 046)	
Net income for the period (+/-)		(12 082)	(8 046)
TOTAL LIABILITIES		913 432	44 714

INCOME STATEMENT

(€ '000s)

	Notes	31/12/2015	31/12/2014
+ Interest and similar income	12	5 376	425
- Interest and similar expenses	12	(4 910)	(63)
+ Income from variable income securities			
+ Fee and commission income	13	0	
- Fee and commission expenses	13	(1 149)	(53)
+/- Net gains (losses) on held for trading portfolio	15	(14)	
+/- Net gains (losses) on placement portfolio	15	(56)	1
+ Other banking income	14	1 125	
- Other banking expense			
NET BANKING INCOME		371	311
- General operating expenses	16	(10 130)	(7 798)
+ Other operating income			
- Depreciation and amortization	5	(1 652)	(559)
GROSS OPERATING INCOME		(11 411)	(8 046)
- Cost of risk			
OPERATING INCOME		(11 411)	(8 046)
+/- Net gains (losses) on fixed assets	17	(670)	
PRE-TAX INCOME ON ORDINARY ACTIVITIES		(12 082)	(8 046)
+/- Net extraordinary items			
- Income tax charge	18		
+/- Net allocation to FGBR and regulated provisions			
NET INCOME		(12 082)	(8 046)
Basic earnings per share		(16,26)	(22,47)

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	31/12/2015	31/12/2014
Commitments given		136 933	-
Financing commitments		121 922	
Guarantee commitments			
Commitments on securities		15 011	
Commitments received		-	9 200
Financing commitments			9 200
Commitments received from credit institutions			9 200
Guarantee commitments			
Commitments on securities			
Derivatives	11	1 217 627	-

NOTES TO THE INDIVIDUAL ACCOUNTS UNDER FRENCH GAAP

I - Publication context

The yearly financial statements were approved by the Executive Board as of March 16, 2015.

II - Highlights from the 2015 financial year

The 2015 year mark the start of the Agence in its activity as a credit institution.

On 12 January 2015, Agence France Locale was granted a licence as specialised credit institution by the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Supervisory Authority). This licence allows the company to ensure its loans to local authorities which are members and shareholders of Agence France Locale - Société Territoriale.

On 6 March 2015, the Autorité des Marchés Financiers (AMF - French Financial Markets Authority), delivered its certification, validating the base prospectus endorsed within a programme of issuances and admissions of debt securities for a maximum nominal amount of €3 billion.

It is on this basis that on 24 March 2015 Agence France Locale launched its inaugural issuance for a nominal amount of €750 million within the framework of its EMTN programme. This inaugural issuance, which saw great success among the community of French and international investors who generated an order book in excess of €1.3 billion, allowed the company to raise €750 million for 7 years.

Following the inaugural issuance, Agence France Locale was immediately able to launch its credit activities for member local authorities and hence offer its first loans. As of 31 December 2015, Agence France Locale had signed €121.9 million in credit agreements with a disbursement date of 2016 and has recognised €384.9 million of loans in balance sheet.

During the 2015 year, Agence saw its capital increase from €35.8 million to €74.3 million following four capital increases subscribed by its parent, Société Territoriale, who had previously received fifty-three new local authorities in its capital.

For the year end 2015, the generated Net Banking Income is established at €371K compared to €311K as at 31 December 2014. It essentially corresponds to an interest margin of €465K and an impairment of Held-for-sale securities of € -70K.

The interest margin amounting to € 465K is the sum of the following:

- First of all, €1,365K of interest income on loans following the inaugural issue;
 - secondly, €731K of interest income on securities held to maturity, which represent the investment of capital on long-maturity government securities.
 - third, a negative interest income of €388K on the available for sale portfolio. The temporary stocking-up of liquidity, product of the inaugural bond issuance, on very short-term instruments offered remuneration at a negative rate due to market conditions entirely new; With the start of the credit business, liquidity could be redeployed on securities with a better remuneration, according to Agence France Local investment policy on a broader range of counterparties and medium-term investment horizon, reducing the disadvantageous effects of the negative carry of the liquidity. It should be noted that a liquidity reserve remains essential for the local authorities' funding agency to maintain a solid model, despite the carry effect generated by its prudent investment policies.
- Finally the financing expenses for an amount of €2,612K.
- At these positions has been added a net interest income of € 1,369k corresponding to the hedging of assets, liabilities and off-balance.

As of 31 december 2015, the general operating expenses reached €10,130K. They show an increase compared to those of the first half of the previous year which amounted to €7,798K. The sum includes €3,797K for personnel expenses compared to €1,986K on 31 December 2014, an increase explained reflecting the ramp-up of the teams mobilized in the development of the bank. With regards to administrative charges, these were maintained at a level of €11,553K, before the transfer of capital expenditures. They registered a non-recoverable VAT charge of €2,036K incurred by the change in tax regime which the Agence faced after the launch of its activity as a credit institution. For comparison, the administrative charges which amounted to €12,252K at December 31, 2014 did not include non-recoverable VAT.

These administrative costs were able to be controlled without neglecting the development of the information system infrastructure which was launched during 2014. Therefore, of the €11,553K in administrative charges, €4,443K were recorded as intangible assets on 31 December 2015, compared to €6,105K on 31 December 2014. It should be noted that the project for the creation of a portal specifically for Local Authorities, which was launched in September 2014, has come to bear fruit and is operational now.

After taking into account a depreciation charge of €1,652K compared to €559K on 31 December 2014, the operating income on 31 December 2015 come to €-11,411K compared to €-8,046K for the previous year.

The Agence recorded a loss of €670K as a result of the sale of part of its securities held to maturity. This shift in capital allocation is intended to free up jobs previously invested mainly in government bonds enjoying the highest ratings and replaced by loans to local authorities. Due to the continued decline in interest rates, investment capital in fixed rate securities at a very low level appeared as inefficient and it turned out better mobilize these resources to use loans to members with superior remuneration rate and liquidity.

The 2015 year ended with a net loss of € -12,082K compared to a loss of € -8,046K during the previous year.

Subsequent events

No significant subsequent events occurred on the beginning of 2016 year after the accounts closure date has to be reported.

III - Accounting principles and valuation methods

Agence's financial statements have been prepared in accordance with accounting principles applied in France by Banks.

Presentation format

Agence's financial statements are presented in accordance with ANC (Autorité des normes comptables) Regulation N° 2014-07 of 26 November 2014 related to the annual accounts for the banking sector.

Preparation of the financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles, based on the following assumptions:

- Ongoing concern principle,
- Segregation of accounting periods,
- Consistency of methods.

And with the general rules for preparing and presenting annual financial statements.

Accounting principles and valuation methods applied

Loans and advances to banks and to customers

Loans and advances to banks include all loans connected with banking operations except for those materialized by a security. They are broken down into sight accounts and term accounts.

Loans and advances to customers comprise loans granted to local governments. The undrawn portion of signed loan agreements is recorded as an off-balance sheet item.

Interest on loans is recorded as Interest income prorata temporis for accrued amounts as is interest on past-dues.

Doubtful loans

Loans and receivables to customers are classified as doubtful if they carry an identified credit risk arising from one of the following events:

- . The loan or advance is at least nine months in arrears,
- . The borrower's financial position is such that an identified risk exists regardless of whether the loan or advance is in arrears,
- . The bank and borrower are in legal proceedings.

Compromised non-performing loans are loans to borrowers whose recovery outlook is so downgraded that they are written off. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised nonperforming loans.

Impairment charges are recognized for non-performing and compromised non-performing loans. Risk management determines the percentage of impaired capital in function of expected losses. Interest income is fully impaired. Impairment charges and reversals for credit risk are recognized as Cost of risk as well as the losses on non-recoverable loans and recoveries on amortized loans.

Tangible and intangible fixed assets

Agence applied CRC 2002-10 of 12 December 2002 relating to the amortization and impairment of assets and CRC 2004-06 on the recognition and measurement of assets, with the exception of costs relating to first establishment of the Local Agency France that have been recognized in balance sheet like intangible assets, as permitted by Article R.123-186 the Code de commerce.

The acquisition cost of fixed assets includes, besides the purchase price, incidental costs which are charges linked directly or indirectly to the acquisition for the use or for the state entry in the assets of the company.

Software acquired are recognized in gross value at acquisition cost.

IT costs are recognized in assets when they meet the conditions required by Regulation N° 2004-06, i.e. whether all the expenses are incurred for the establishment of the information system.

Tangible and intangible assets are amortized over their estimated useful lives, with the exception of Start-up costs, which are amortized over a maximum period of 5 years, as permitted by the Code de Commerce (Article R.123-187).

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs.

Fixed assets are amortised over their estimated useful lives in the following manner:

Fixed asset	Estimated useful life
Start-up costs	5 years
Software	5 years
Website	3 years
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years
Software development	5 years

The amortization method is straight-line.

Securities portfolio

Accounting policies for securities transactions are defined by CRB regulation 90-01 as amended by CRC Regulations 2005-01, 2008-07 and 2008-17 endorsed by Regulations 2014-07 and by CRC Regulation 2002-03 for the determination of credit risk and impairment of fixed-income securities, endorsed as well by Regulations 2014-07.

Securities are presented in the financial statements according to their type:

"Government and public securities" for Treasury bills and similar securities,

"Bonds and other fixed income securities" for notes and interbank debt instruments, shares and other income securities variable

"Equities and other variable income securities"

The item "Government and public securities" includes debt securities issued by public sector entities that may be refinanced through the European system of central banks.

They are classified in portfolios defined by regulation (trading, investment securities, placement securities, long term equities investment, medium term portfolio, other long term equity investments and investments in subsidiaries and affiliates), depending on the initial intention for holding the securities at the time they were acquired.

Placement securities

Securities that do not fit in any existing category are recognized as placement securities.

Placement securities are recorded at acquisition cost including fees.

Bonds and other fixed income securities:

These securities are recognised at acquisition cost excluding interest accrued at the acquisition date. Accrued interest at the date of acquisition is recorded separately as "Accrued interest". The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.

Interests on these securities are recorded in Income statement as "Interest income on bonds and fixed income securities".

At the end of the reporting period, in application of the principle of prudence, placement securities are recorded on the balance sheet at their acquisition cost or selling price at the end of the reporting period, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

Excluding counterparty risk, when the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recorded in Net gains (losses) on placement portfolio as loss or gain on sales.

If the decrease in the value of the security arises from a risk relating specifically to the issuer of the security, impairment is recorded under "Cost of risk", in accordance with CRC regulation 2002-03 on credit risk.

If appropriate, Impairment intended to take into account counterparty risk and recognised under the cost of risk is booked on fixed income securities as follows:

- in the case of listed securities, impairment is based on market value, which intrinsically reflects credit risk. However, if Agence has specific information on the issuer's financial position that is not reflected in the market value, a specific impairment loss is recorded;

- in the case of unlisted securities, impairment is recorded in the same way as on loans and receivables to customers based on identified probable losses.

Equities and other variable-income securities:

Equities are recognised on the balance sheet at their purchase price including transaction expenses. The associated dividends are recorded as income under "Income from variable-income securities".

Income from mutual funds is recognised when received under the same heading.

At each reporting date, short term investment securities are measured at the lower of acquisition cost and market value. If the current value of an item or a homogeneous set of securities (calculated from market prices at the reporting date, for example) is lower than its carrying amount, an impairment loss is recorded for the unrealised loss without being offset against any gains recognised on other categories of securities.

Investment securities

Investment securities are fixed income securities with a fixed maturity date that have been acquired or transferred to this category with the manifest intention of holding them until maturity.

This category only includes securities for which Agence has the necessary financial ability to continue holding them until maturity and that are not subject to any legal or other restriction that could interfere with its intention to hold them until maturity.

Securities considered as Investment securities are recorded on the date of purchase at acquisition clean price including fees. Accrued interest at the date of acquisition is recorded separately as "Accrued interest". Interest on these securities is recorded in income as Interest income on bonds and fixed income securities.

The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.

Impairment is not booked for long term investment securities if their market value falls below cost. On the other hand, if the impairment arises from a risk relating specifically to the issuer of the security, impairment is recorded under "Cost of risk", in accordance with CRC regulation 2002-03 on credit risk.

In the case of the sale or reclassification to another category of long term investment securities and representing a material amount, during the current financial year and the next two financial years, the reporting entity is no longer authorised to classify securities previously bought and to be bought as long term investment securities, in accordance with CRC regulation 2005-01, except in the special cases provided by that regulation and by CRC regulation 2008-17.

Market price

The market price at which the various categories of securities are measured is determined as follows:

- Securities traded on an active market are measured at the latest price;

- If the market on which the security is traded is not or no longer considered active or if the security is unlisted, Agence determines the likely value at which the security concerned would be traded using valuation techniques. Firstly, these techniques take into account recent transactions carried out in normal competition conditions. If required, Agence uses valuation techniques commonly used by market participants to price these securities, when it has been demonstrated that these techniques provide reliable estimates of prices obtained in actual market transactions.

Recording date

Agence records securities classified as investment securities on the settlement date. Other securities, regardless of type or classification, are recognised on the trading date.

Disclosures on Placement securities and Investment securities

The Regulation CRC 2000-03, Appendix III, paragraph 1. 1.2, supplemented by Regulation No. 2004-16 of 23 November 2004 and Regulation CRC No. 2005-04 requires credit institutions to provide:

- A breakdown of Investment portfolio and Placement portfolio, public bills and similar securities, bonds and other fixed-income securities.

For Placement securities, the amount of unrealized gains corresponding to the difference between the market value and acquisition cost is disclosed. The amount of unrealized gains on Placement securities subject to a provision in the balance sheet as well as investment securities unrealized losses not subject to provision.

Debt due to banks

Debt due to banks is broken down according to the initial maturity (sight or term debt).

Repurchase agreements (represented by certificates or securities) are included under these type according to the initial maturity. Accrued interest on these deposits is recognised under accrued interest and taken to profit and loss.

Debt securities issued

These debt securities are recorded at nominal value. Redemption and issue premiums are amortized on an actuarial basis over the maturity of the securities prorate temporis. They are recorded on the balance sheet in the same categories as the corresponding debt. Amortization of these premiums is recorded in the income statement as "Interest expense on bonds and other fixed income securities".

If bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities. Interest on bonds is recorded as Interest expense for accrued amounts calculated prorate temporis. Bond issue costs and commissions are amortized on an actuarial basis over the maturity of the related loans.

Derivative transactions

Agence engages in derivative transactions to hedge the interest rate and foreign exchange risks to which it is exposed in its activity.

Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios in accordance with CRB regulations 88-02 and 90-15 endorsed by ANC Regulations 2014-07. Valuation methods and accounting principles are determined according to the portfolio to which they are assigned.

Micro-hedge transactions

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge issues of debt securities, fixed-income securities recognised as placement securities and loans and advances to customers.

Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions.

Hedging transactions accounting

Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.

Expense and income on these transactions are recorded in the income statement prorate temporis respectively as Interest expense or Interest income.

Unrealised gains and losses on derivatives valuation are not recorded.

Payments at the inception of hedging derivatives are recorded in other assets and other liabilities and amortized over their maturity according to an actuarial method.

In the event of early reimbursement or the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the termination fee received or paid because of the early interruption of the hedging instrument is recorded in the income statement if the hedging instrument has been cancelled.

Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

Provisions

Agence applies CRC regulation 2000-06 on liabilities relating to the recognition and measurement of provisions falling within the scope of this regulation.

Provisions are recorded at present value when the three following conditions are met:

- Agence has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
- A reliable estimate of the amount of the obligation can be made.

Tax consolidation

Since January 1, 2015, the Agence belongs to the tax group headed up by Agence France Locale - Société Territoriale.

Post-employment benefits

Agence has applied ANC recommendation 2013-02 of 7 November 2013 relating to the measurement and recognition of retirement and similar benefit obligations.

In accordance with this recommendation, Agence sets aside provisions to cover its retirement and similar benefit obligations falling within the category of defined-benefit plans.

These obligations are stated on the basis of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, a charge is booked in an amount corresponding to the employee's vested benefits for the period. The charge is calculated based on the discounted future benefit.

The entity has opted for method 2 in recommendation 2013-02 which allows in particular for the recognition of gains or losses arising from changes to defined-benefit plans when the curtailment or settlement occurs.

The entity elected to immediately recognise the actuarial gains or losses in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Accordingly the amount of the provision is equal to:

- the present value of the obligation to provide the defined benefits at the reporting date, calculated in accordance with the actuarial method advised by the recommendation;
- plus any actuarial gains (less any actuarial losses) not recognized,

less, where applicable, the fair value of plan assets. These may be represented by an eligible insurance policy. In the event that the obligation is fully covered by such a policy, the fair value of the policy is deemed to be the value of the corresponding obligation, i.e. the amount of the corresponding actuarial liability.

The recommendation also allows for the recognition of actuarial gains and losses using the "corridor method" or any other method that results in faster recognition in profit or loss.

Identity of the parent company consolidating the accounts of the Agence as of December 31, 2015

Agence France Locale – Société Territoriale
41, quai d'Orsay 75 007 Paris

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

31/12/2015	Government paper and similar securities	Bonds and other fixed income securities	Equities and other variable income securities	Total
Fixed or variable income securities				
Listed securities	401 968	50 246		452 214
Unlisted securities				-
Accrued interest	988	253		1 240
Impairment	(63)	(8)		(70)
Net carrying amount	402 894	50 491	-	453 384
Residual net Premium/Discount	5 055	250		5 305

31/12/2014				
Fixed or variable income securities				
Listed securities	13 118	17 202		30 320
Unlisted securities				-
Accrued interest	191	244		435
Impairment				-
Net carrying amount	13 309	17 446	-	30 755
Residual net Premium/Discount	762	202		964

Analysis by type of portfolio

Portfolio	Gross amount	Additions	Disposals	Transfers	Prem/Disc Amort.	Change in accrued interest	Impairment	Total	Unrealized gains/(losses)
(€ '000s)	31/12/2015							31/12/2015	
Transaction									
Held-for-sale		1 780 001	(1 358 231)	31 383	(492)	793	(70)	453 384	3 037
Investment	30 755	23 470	(22 979)	(31 388)	(83)	225	-	-	-
NET CARRYING AMOUNT	30 755	1 803 471	(1 381 210)	(5)	(575)	1 018	(70)	453 384	3 037
Of which Premium/Discount	964	10 628	(5 706)	(5)	(575)	-	-	5 305	

During the year, Agence France Local sold a part of its securities held to maturity. This sale resulted in the reclassification of residual Investment securities in Available for sale securities class for €31,4m. This shift in capital allocation is intended to free up jobs previously invested mainly in government bonds enjoying the highest ratings and replaced by loans to local authorities. Due to the continued decline in interest rates, investment capital in fixed rate securities at a very low level appeared as inefficient and it turned out better mobilize these resources to use loans to members with superior remuneration rate and liquidity.

Portfolio analysis by contractual maturity

	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Impairment	Total 31/12/2015
Government paper and similar securities	99 081	54 460	229 692	18 736	401 968	988	(63)	402 893
Bonds and other fixed income securities	5 006	28 053		17 187	50 246	253	(8)	50 491
Total Held-for-sale	104 087	82 513	229 692	35 923	452 214	1 240	(70)	453 384

Note 2 - RECEIVABLES ON CREDIT INSTITUTIONS

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2015	Total 31/12/2014
Credit institutions							-	-
Loans and receivables							-	-
- demand	45 982						45 982	5 919
- time								-
Securities bought under repurchase agreements							-	-
TOTAL	45 982	-	-	-	-	-	45 982	5 919
Impairment								
NET CARRYING AMOUNT	45 982	-	-	-	-	-	45 982	5 919

Note 3 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2015	Total 31/12/2014
Credit institutions							-	-
Accounts and Overdrafts					-		-	-
- demand					-		-	-
- time					-	-	-	15 800
Securities sold under repurchase agreements							-	-
TOTAL	-	-	-	-	-	-	-	15 800

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2015	31/12/2014
Short-term credit facilities		
Other loans	384 873	
Customers transactions before impairment charges	384 873	-
Impairment		
Net carrying amount	384 873	-
<i>Of which related receivables</i>	537	
<i>Of which gross doubtful receivables</i>		
<i>Of which gross non-performing doubtful receivables</i>		

Analysis by residual maturity excluding accrued interest

(€ '000s)	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2015
Loans and advances to customers	5 467	7 054	12 909	101 361	257 545	384 336	537	384 873

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2014	Additions	Transfers	Disposals	Amort.	Impairment	Other movements	31/12/2015
Intangible assets	6 252	49	4 363					10 663
Start-up costs	2 123							2 123
IT development costs	3 861		4 363					8 224
Web site	255	35						289
Software	14	14						28
Intangible assets in progress	122		80					202
Intangible assets amortisation	(545)				(1 561)			(2 106)
Net carrying amount	5 829	49	4 443		(1 561)			8 759

Property, plant & equipment	31/12/2014						31/12/2015
Property, plant & equipment	660	72	3				735
Tangible assets in progress	3		(3)				
Amortissement des immobilisations corporelles	(14)				(91)		(105)
Net carrying amount	649	72	-		(91)		630

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2015	31/12/2014
Other assets		
Cash collateral paid	12 985	62
Other assets	655	1 474
Impairment		
Net carrying amount	13 640	1 536
Accruals		
Deferred charges on bond issues	3 781	
Deferred charges on hedging transactions	94	
Prepaid charges	67	26
Accrued interest not yet due on hedging transactions	2 222	
Other deferred income		
Other accruals		
Net carrying amount	6 164	26

Note 7 - DEBT SECURITIES

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2015	Total 31/12/2014
Negotiable debt securities					-	-	-	-
Bonds		95 926		750 000	845 926	2 132	848 059	-
Other debt securities					-	-	-	-
TOTAL	-	95 926	-	750 000	845 926	2 132	848 059	-

Note 8 - DEBT SECURITIES

(€ '000s)	31/12/2015	31/12/2014
Other liabilities		
Cash collateral received	100	
Miscellaneous creditors	1 484	1 157
TOTAL	1 584	1 157
Accruals		
Transaction to pay and settlement accounts		
Unrealised gains on hedging instruments	7 190	
Unearned income		
Accrued expenses on hedging instruments	839	
Other accrued expenses		
Other accruals	1 570	
TOTAL	9 599	-

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2014	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2015
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	3	14				17
Provisions for other liabilities to employees						
Other provisions						
TOTAL	3	14	-	-	-	17

Note 10 - CHANGES IN EQUITY

	Share capital	Legal reserve	Share premiums	Statutory reserve	Translation revaluation	Translation, revaluation subsidies	Retained earnings	Net income	Total equity
(€ '000s)									
Change in share capital	35 800								35 800
Change in share premium and reserves									
Net income as of 31/12/2014								(8 046)	(8 046)
Other changes									
Balance as of 31/12/2014	35 800	-	-	-	-	-	-	(8 046)	27 754
Dividend paid for 2014									
Change in share capital	38 500 ⁽¹⁾								38 500
Change in share premium and reserves									
Allocation of 2014 net profit							(8 046)	8 046	
Net income as of 30/06/2015								(12 082)	(12 082)
Other changes									
Balance as of 31/12/2015	74 300	-	-	-	-	-	(8 046)	(12 082)	54 173

The share capital of Agence which amounts on December 31st, 2015 to €74 300 000 consists of 743 000 shares.

⁽¹⁾ Agence carried out four capital increases during the year 2015 for the benefit of the Territorial Company, its parent company. The first was subscribed 25 March 2015 to €17,200K, the second July 4, 2015 for €16,000K, the third October 15, 2015 for €4,000K, the last one, December 23, 2015 for €1,300K.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

	31/12/2015				31/12/2014			
	Hedging transactions		Others than Hedging transactions		Hedging transactions		Others than Hedging transactions	
	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value
(€ '000s)								
FIRM TRANSACTIONS	1 264 930	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	1 264 930	-	-	-	-	-	-	-
Interest rate contracts	1 217 627							
FRA								
Cross Currency Swaps	47 304							
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Exchange rate options								
Other options								
Over-the-counter markets	-	-	-	-	-	-	-	-
Caps, floors								
Foreign currency option								
Crédit derivatives								
Other options								

Amount of micro-hedge transactions as of 31/12/2015 1 202 330 (€ '000s)
Amount of macro-hedge lending transactions as of 31/12/2015 62 600 (€ '000s)

Notional amount by maturity

	31/12/2015					
	Hedging transactions			Others than Hedging transactions		
	Less than 1 year	1 year to 5 years	more than 5 years	Less than 1 year	1 year to 5 years	more than 5 years
(€ '000s)						
FIRM TRANSACTIONS	47 304	59 554	1 158 073	-	-	-
Organised markets	-	-	-	-	-	-
Interest rate contracts						
Other contracts						
Over-the-counter markets	47 304	59 554	1 158 073	-	-	-
Interest rate contracts		59 554	1 158 073			
FRA						
Cross Currency Swaps	47 304					
Other contracts						
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-
Exchange rate options						
Other options						
Over-the-counter markets	-	-	-	-	-	-
Caps, floors						
Foreign currency option						
Crédit derivatives						
Other options						

V - Notes to the Income statement

Note 12 - Interest income and expenses

(€ '000s)	31/12/2015	31/12/2014
Interest and similar income	5 376	425
Due from banks	3	
Due from customers	1 365	
Bonds and other fixed income securities	343	425
<i>from Held-for-sale securities</i>	(388)	
<i>from Investment securities</i>	731	425
Income from interest rate instruments	3 664	
Other interest income		
Interest and similar expenses	(4 910)	(63)
Due to banks	(41)	(63)
Due to customers		
Debt securities	(2 574)	
Expense from interest rate instruments	(2 296)	
Other interest expenses		
Interest margin	465	363

Note 13 - Net fee and commission income

(€ '000s)	31/12/2015	31/12/2014
Commission income	0,01	-
Interbank transactions		
Customer transactions	0,01	
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee		
Other commissions received		
Commission expenses	(1 149)	(53)
Interbank transactions	(0,04)	(53)
Securities transactions	(1 137)	
Forward financial instruments transactions	(12)	
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid		
Net fee and commission income	(1 149)	(53)

Note 14 - Other banking income and expenses

(€ '000s)	31/12/2015	31/12/2014
Other banking income	1 125	-
Re-invoiced expenses outside the Group		
Expense reclassifications	1 125	
Reversals of provisions		
Other banking expenses	-	-
Other sundry operating expenses		
Depreciation charges to provisions		

Note 15 - Analysis of gains and losses on portfolio transactions

(€ '000s)	31/12/2015	31/12/2014
Gains/(losses) on Trading book		
Gains/(losses) on forward financial instruments	(14)	
Gains/(losses) on foreign currency transactions		
Gains or (losses) on trading portfolio	(14)	-
Gains/(losses) from disposal of held-for-sale securities	14	1
Other income/(expenses) from held-for-sale securities		
Impairment (charges) and reversals on held-for-sale securities	(70)	
Gains or (losses) on held-for-sale portfolio	(56)	1

Note 16 - General operating expenses

(€ '000s)	31/12/2015	31/12/2014
Employee expenses		
Wages and salaries	2 580	1 359
Post-employment benefit expenses	282	142
Other expenses	935	485
Total Employee expenses	3 797	1 986
Operating expenses		
Taxes and duties	273	19
External services	11 280	12 233
Total Administrative expenses	11 553	12 252
Charge-backs and reclassification of administrative expenses	(5 220)	(6 440)
Total General operating expenses	10 130	7 798

Employee expenses relate to a staff of 22 to 31 December 2015.

Note 17 - +/- Net gains (losses) on fixed assets

(€ '000s)	31/12/2015	31/12/2014
Gains on sales of Investment securities		
Gains on sales of tangible or intangible assets		(14)
Reversal of impairment		
Total Gains on fixed assets	-	(10)
Losses on sales of Investment securities	(670)	(9)
Losses on sales of tangible or intangible assets		
Charge of impairment		(188)
Total Losses on fixed assets	(670)	(151)

Note 18 - Income tax charge

The standard method for current tax has been chosen for report individual accounts.

Tax losses amounting to €20.1m at year-end were not recognised as deferred tax assets.

Note 19 - Related parties

There are, on 31 December 2015, an agreement of administrative services and a licensing for the use of a mark, which have been concluded between the Agence and the Agence France Locale Locale France - Territorial Corporation at normal market conditions.

AGENCE FRANCE LOCALE

**STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS**

Year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

KPMG AUDIT FS I
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris La Défense

Cailliau Dedouit et Associés
19, rue Clément Marot
75008 Paris

**STATUTORY AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS**

Year ended December 31, 2015

To the Shareholders
AGENCE FRANCE LOCALE
Tour Oxygène
10-12, boulevard Marius Vivier-Merle
69393 LYON CEDEX

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Agence France Locale S.A.,
- the justification of our assessments,
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended, in accordance with French accounting principles.

II. Justification of assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (“Code de commerce”) relating to the justification of our assessments, we bring to your attention the following matters.

Accounting principles

Paragraph III “Accounting Principles” of the Notes to the financial statements discloses the accounting principles relating to the bonds portfolio held by your Company. We have examined the internal control procedures concerning the classification and the financial parameters used for the valuation of these assets. We have verified the appropriateness of these accounting methods, as well as the information provided in note 1 of paragraph IV of the Notes to the financial statements, and have made sure of their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (“Code de commerce”) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Paris la Défense and Paris, April 8, 2016

French original signed by

KPMG Audit FS 1

Cailliau Dedouit et Associés

Fabrice Odent

Laurent Brun