AGENCE FRANCE LOCALE

Par et pour les collectivités

Financial report

From 1 January to 30 June 2015

Table of Contents

I. MANAGEMENT REPORT

A. Reminder of the shareholding structure, the economic model and the rating of Agence France Locale

1. Agence France Locale Shareholding

The creation of Agence France Locale was authorised by Act n°2013-672 of 26 July 2013 regarding the separation and regulation of banking activities. It was effectively created on 22 October 2013, the date at which the act of constitution was signed.

The Agence France Locale group is organised as a dual structure with, on the one hand, the Agence France Locale - Société Territoriale (the parent company with a financial company status), and on the other, the Agence France Locale (the subsidiary, a specialised credit institution). As a two company entity, the governance of Agence France Locale prevents the specialised credit institution from any interference on the part of member local authorities in operational activities and provide stakeholders with greater awareness of their responsibilities.

In this regard, the Board of Directors of the Société Territoriale has adopted a rule according to which independent administrators must form a majority within the Supervisory Board of the credit institution. In doing so, the shareholders accept and recognise the importance of the responsibilities of banking and finance professionals in the daily financial activities of the credit institution.

The main missions of the Société Territoriale, parent company of the group, are as follows:

- representing shareholders;
- management of the Guarantee Mechanism;
- nominating directors of the specialised credit institution's Supervisory Board; and
- determining the broad strategic guidelines.

The primary tasks of Agence France Locale, the credit institution owned at more than 99.99% by the Société Territoriale, are as follows:

- ily operational management of financial activities;
- fund-raising on the capital markets; and
- granting of credits exclusively to local authorities which are shareholding members.

2. Agence France Locale's Economic Model

Agence France Locale is a financial investment tool for local authorities who are also its only shareholders. Following the example of Northern European agencies[1], already established for a number of decades, Agence France Locale plays a complementary role in the financing of local investments, with partner banks remaining legitimate and necessary actors in the financing of local authorities. Agence France Locale's model is directly inspired by its northern counterparts, all the while integrating the necessary particularities of French Law. More specifically, Agence France Locale's model took inspiration from those of Swedish and Finnish agencies which have been financing local authorities in their respective countries since the end of the 1980s. This model is based on capital market fund raising passed to local authority shareholders in the form of vanilla loans.

The optimisation of this model essentially relies on a first-demand guarantee scheme. This scheme is made up of a double guarantee mechanism which contracts:

- on the one hand the local authorities, which are member shareholders, directly through the "Member Guarantees ", allowing all of Agence France Locale's creditors to directly call in guarantee the local authority shareholders. In accordance with the law and the French Constitution, this guarantee is limited to the outstanding amount of the loans contracted from Agence France Locale by each local authority member. Therefore, a creditor has the possibility of calling in guarantee any number of member shareholders if this can be justified by the amount of the debt. A local authority which has been called in guarantee by a creditor has the obligation to turn to the Société Territoriale, which must then in turn call in guarantee all the other members in proportion to the outstanding amount of loans they have contracted from Agence France Locale. Therefore, this guarantee is binding for all member local authorities but limited in the amount;

- on the other hand, Agence France Locale - Société Territoriale through the "Société Territoriale Guarantee ". Creditors have the possibility of directly calling in guarantee the Société Territoriale which is in that case the creditor's only counterparty, in contrast to the Member Guarantee mechanism described above. The total amount of the Société Territoriale Guarantee is limited to a sum voted each year by the Board of Directors. Its aim is to cover all financial liabilities of Agence France Locale.

This double guarantee system draws its inspiration from Kommuninvest, the Swedish funding agency for local authorities - in what concerns the Member Guarantees - and from Municipality Finance, the Finnish funding agency for local authorities - in what concerns the Société Territoriale Guarantee. In addition to this double Guarantee mechanism, which benefits to the financial creditors of Agence France Locale, there is also the possibility for the specialised credit institution itself (Agence France Locale) to pre-emptively call upon the Société Territoriale Guarantee. This mechanism would notably be used in a situation in which the specialised credit institution found itself unable to reimburse, within a set time, all or part of the amount due to a holder of guaranteed securities.

Secondly, the financial policies as defined and established by Agence France Locale are particularly strict and largely inspired by those of certain supranational institutions or multilateral development banks. The primary risk which Agence France Locale agrees to take on, since it concerns the essence of its work, is the credit risk of its member shareholders, the local authorities.

Aside from the local authorities' credit risk, all of Agence France Locale's financial risks (foreign exchange risk, interest rate risk and liquidity risk) are intended to be neutralised or at least limited.

Finally, with regards to prudential requirements, Agence France Locale aims to maintain the following ratios above the level of regulatory requirements:

- a "Common Equity Tier One" ratio at a 12.5 % minimum;
- a leverage ratio greater than 3.5 %; and
- liquidity ratios of 30 days (LCR) and of one year (NSFR) greater than 150 %.

[1] The following are Northern European funding agencies for local authorities: BNG and NWB in the Netherlands, created in 1914 and 1954 respectively; Kommuninvest in Sweden, created in 1986; KBN in Norway, created in1926; MuniFin in Finland, created in 1989/1993; and Kommunekredit in Denmark, created in 1899.

3. Rating of bonds issued by Agence France Locale

Agence France Locale's issuance programme is rated by Moody's rating agency. Agence France Locale's bonds are rated with the top grade for credit quality. As it currently stands, its long-term rating is Aa3, with stable outlook, trend in line with that of the French State.

B. Highlights from the first half of 2015 and post-closing events

On 22 December 2014, 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 29 January 2015, Moody's rating agency gave Agence France Locale a long-term Aa2 rating, with a negative outlook in line with that weighing down the rating of the French State, itself set at Aa1.

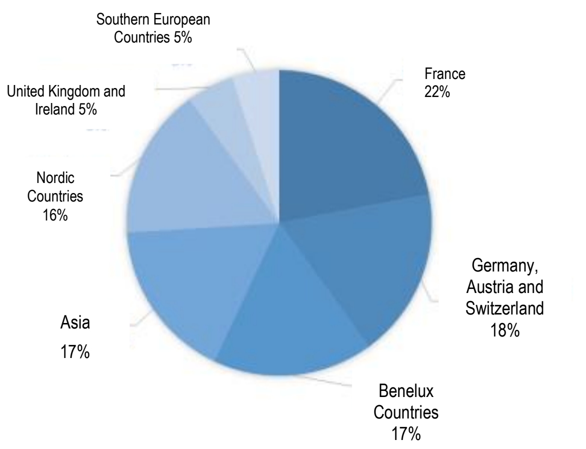
On 6 March 2015, the Autorité des Marchés Financiers (AMF - French Financial Markets Authority), delivered its certification (visa no. 15 - 079 of the 6 March 2015), validating the base prospectus endorsed within a programme of issuances and admissions of debt securities for a maximum nominal amount of EUR 3 billion.

It is on this basis that on 24 March 2015 Agence France Locale launched its inaugural issuance for a nominal amount of EUR 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 EUR 1.3 billion, allowed the company to raise EUR 750 million for 7 years, with a 0.423 % return corresponding to a margin of 22 bps against the bond curve of the French State (OAT – Obligations Assimilables du Trésor).

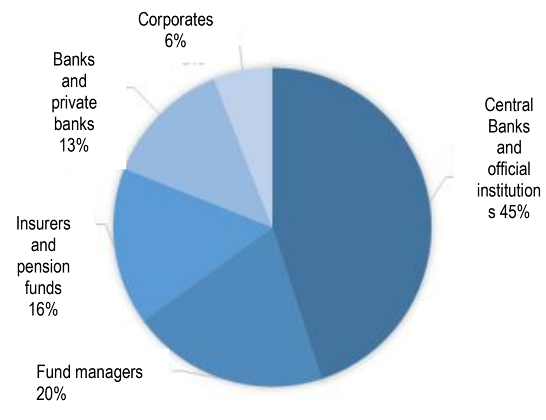
The value of the explicit guarantee provided by Société Territoriale to financial creditors was set by its Board of Directors at EUR 3.5 billion on 18 November 2014.

Investor distribution for the inaugural issuance

Geographic distribution



Distribution by type



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 30 June 2015, Agence France Locale had signed EUR 172.1 million of loans of which EUR 96.7 million have been paid. For the most part, these are 15-year loans with either a fixed or floating rate.

Considering the recent launch of Agence France Locale's activities, the composition of the balance sheet from 30 June as described in this report is likely to see rapid evolution with increased credit activity and projected new capital increases.

Furthermore, during the first half of 2015, the Société Territoriale saw two capital increases: its fourth capital increase with a paid in amount of EUR 17.2 million on 13 February 2015 which allowed eleven new local authorities to join Agence France Locale - Société Territoriale, including the Communauté Urbaine de Strasbourg and the Métropole de Bordeaux; then its fifth capital increase with a paid in of EUR 16 million which took place on 1 June 2015 andallowed twelve new communities to join, including La Mulatière, Créteil, the Communautés de communes (federation of municipalities) of Pévèle Carembault, Pont du Gard, Rhône aux Gorges de l'Ardèche, and l'Huisne Sarthoise. These were followed by two capital increases by Agence France Locale for a cumulative total amount of EUR 33.2 million.

On 30 June 2015, a total of 103 local authorities were members shareholders Agence France Locale, representing a total committed capital in the Société Territoriale of EUR 110 million, of which EUR 72 million have effectively been paid in to date. The difference between the committed capital and the paid-in capital comes from the possibility for member local authorities to pay their Initial Capital Contribution in three annual instalments. The amount of the Initial Capital Contribution for each member local authority is associated to its economic weight and calculated on the basis of either its outstanding debt, or its budget operating revenues

Finally, the Société Territoriale Advisory Board was established on 2 June 2015. This Board, co-chaired by Gérard Collomb and Jacques Pélissard, is made up of 60 member local authorities which will meet one to two times a year. Its role is notably to group the interests of the member local authorities within a less formal framework than that of the Board of Directors meetings.

C. Period earnings in IFRS standards

For the first half of 2015, the Net Banking Income is established at €-677K on 30 June 2015 compared to €41K on 30 June 2014. It essentially corresponds to a negative net interest margin of €166K for the first six months and to an unrealised negative hedge accounting income of €-500K.
The negative net interest margin is the result of three elements: first of all the absence of a loan portfolio to start with; second, a temporary warehousing of the proceed of the inaugural bond issuance on very short-term instruments offering a remuneration at a negative rate; and third, the negative carry of the liquidity despite its redeployment on securities with a better remuneration. It should be noted that a liquidity reserve remains essential for Local Government Funding Agencies to maintain a solid model, despite the potential carrying effect produced by conservative investment policies.
The hedge accounting net income results from the best practice that the Agence France Locale has adopted with regards to the valuation of hedging derivatives and hedge items. This practice uses the OIS valuation method for derivatives whereby collateral obligations are exchanged on a daily basis, while a valuation against Euribor takes place for hedged instruments. This assymmetry in fair value hedging , for the underlying hedged instruments on the one hand and hedges on the other, results, according to IFRS standards, in hedge ineffectiveness which is recorded as profit or loss in the income statement. It should nevertheless be noted that these gains and losses are unrealised..
As of 30 June 2015, operating expenses reached €5,942K. They show a slight increase compared to those of the first half of the previous year which amounted to €5,468K. The amount includes €2,102K for personnel expenses compared to €664K on 30 June 2014, as a result of an increasing staff number.. With regards to administrative charges, these were maintained at a level of €6,729K, before the transfer of capital expenditures, close to the total of €6,559K registered on 30 June 2014, and despite a non-recoverable VAT charge of €1,001K incurred by the change in tax regime which the Agence faced after the launch of its activity as a credit institution.
The control of administrative charges was possible while maintaining the build up of the information system infrastructure which was launched during 2014. Therefore, of the €6,729K in administrative charges, €2,948K were recorded as intangible assets on 30 June 2015, compared to €1,755K on 30 June 2014. It should be noted that the project for the creation of a dedicated portal to Member Local Authorities, which was launched in September 2014, has come to bear fruit and will be operational in the second half of the year.
After taking into account a depreciation charge of €535K compared to €10K on 30 June 2014, the operating income on 30 June 2015 come to €-7,154K compared to €-5,437K for the first half of the previous year.
The Net income recorded for this period led to the recognition of deferred tax assets which resulted in a tax income of €2,384K.

The first half of 2015 ends with a negative net income of €4,770K compared to negative net income of €3,625K for the same period of the previous year.

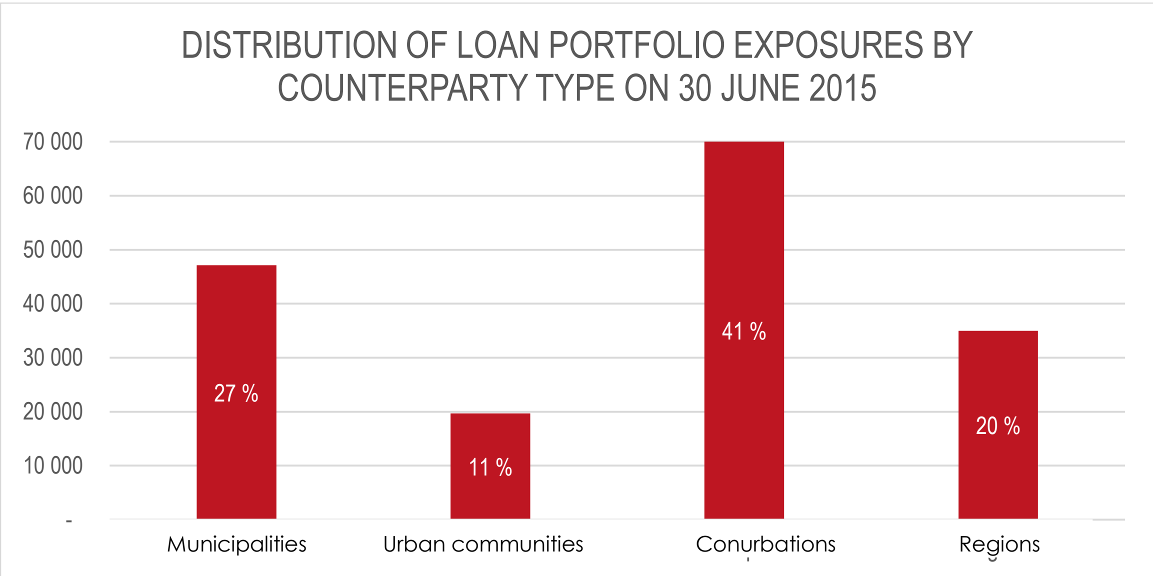
D. Assets as of 30 June 2015

The assets of Agence France Locale are mainly made up of loans to local authorities, securities for the liquidity portfolio bank accounts, as well as margin calls paid to counterparties.

in thousands of EUR	30/06/2015	31/12/2014
Loans	97,123	0
Fixed income securities	595,595	0
Held-to-maturity assets	53,866	30,755
Bank accounts	21,387	5,919
Margin calls	25,407	0

1. Credits for local authorities

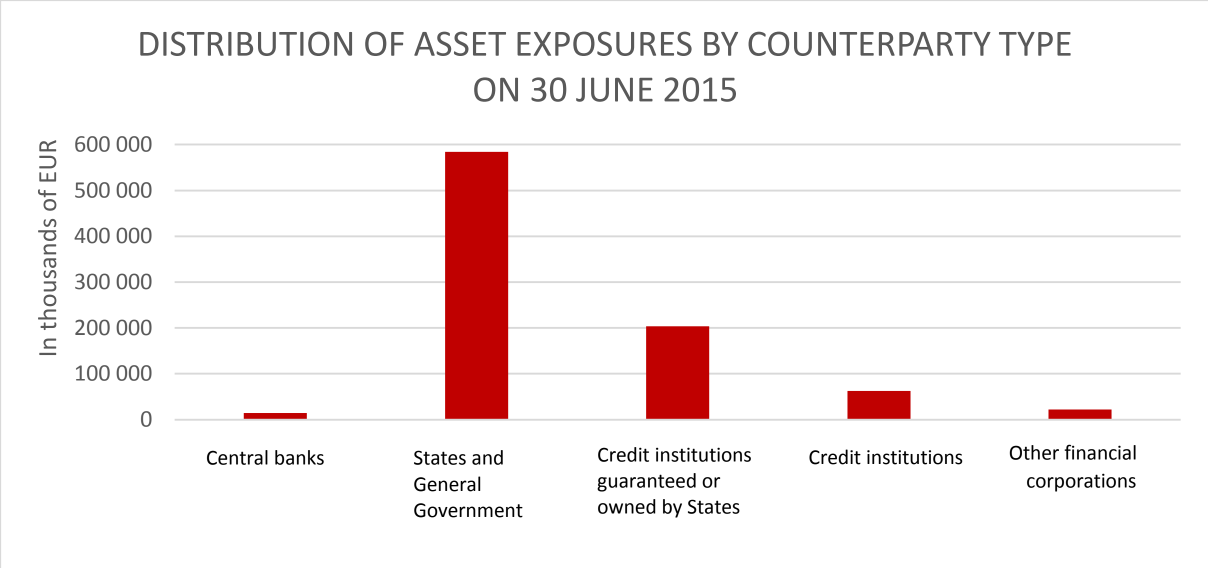
Agence France Locale gives loans solely to French local authorities which are shareholder members. As of 30 June 2015, its portfolio is made up of direct exposure to municipalities, urban communities, conurbations and regions.

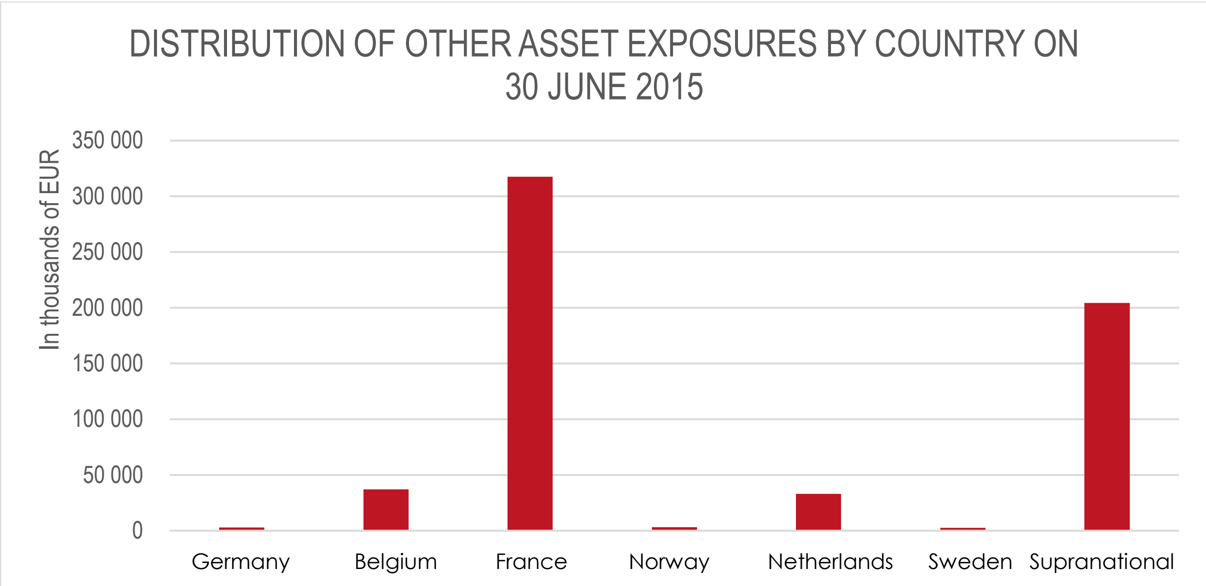


2. Other financial assets

a. Distribution

The securities which make up the liquidity reserve and the securities held for shareholder equity re-investment are, for the most part, securities issued by France, the European Union Member States or supranational institutions, with a minimal long term financial rating of A- or equivalent, i.e. a so-called "investment grade" rating and securities issued by financial institutions, some of which are guaranteed by European States. Other financial assets also include bank accounts opened with French banks and margin calls paid to banks which are swap counterparties, or to the clearing house LCH Clearnet.





b. Mark-to-market of swaps

Agence France Locale uses interest rate swaps to hedge its interest rate exposures to its balance sheet. These swaps are either directly contracted with banking counterparties , or offset through LCH Clearnet. As of 30 June 2015, the fair value of hedging instruments of Agence France Localeis distributed as follows:

(in thousands of EUR)	Nominal Value	Mark-to-market Value
Bilateral interest rate swaps	814,015	-13,516
Cleared interest rate swaps	371,752	-5,212
Grand total	**1,185,767**	**-18,728**

On 30 June 2015, the aggregated amount of margin calls paid out for interest rate swaps amounted to EUR 25.4 million.

c. Securitisation

Agence France Locale has no securitisation exposure.

E. Debts as of 30 June 2015

The debts of Agence France Locale is represented by the inaugural bond issuance launched on 24 March 2015. As of 30 June 2015, the accounting value at amortised cost of this 7-year, fixed-rate debt amounts to EUR 729 million, has been taking into account the interest rate changes since the issuance.
After the two capital increases which occurred in the first half of 2015, Agence France Locale's equity amounts to EUR 57.7 million.

F. Risk management

In consideration of the balance sheet and of the risks to which it is exposed, Agence France Locale has established strict measures for asset and liability management, with the aim of minimising the exposure of its income and shareholder equity to market risks as well as to credit and counterparty risk. These measures are based on a corpus of financial policies the objective of which is to mitigate the risks resulting from its financial activities

1. Credit and counterparty risk

a. Credit and counterparty risk management policy

Agence France Locale undertakes its activities for the sole benefit of local authorities and public entities for inter-municipal cooperation which have been given tax raising powers, provided that they both shareholders of Agence France Locale - Société Territoriale and guarantors of debt securities issued by Agence France Locale. As it is able to offer loans only to French local authorities, Agence France Locale implicitly carries a strong concentration of its credit risk on this sector. Nevertheless, while default on the part ofa local authority cannot be excluded, this sector presents a very strong profile. Hence, in order to optimise the credit risk profile of its loan portfolio, Agence France Locale has established a strict lending policy. In particular, an internal rating system for local authorities was created with the aim:

- to evaluate the financial situation of local authorities which apply for shareholding membership, Agence France Locale, through a "quantitative" or "financial" rating system that enable to rate local authorities on a scale from 1 to 7 (1 being the highest t grade and 7 the lowest). Only the local authorities rated from 1 to 5.99 are given the possibility of becoming Agence France Locale - Société Territoriale shareholders; and

- to evaluate the financial situation of the member local authorities applying for loans from Agence France Locale, with, aside from the above-mentioned "quantitative" rating, a so-called "socio-economic" rating, potentially also complemented by a "qualitative" rating.

At the end of this internal rating process, Agence France Locale is allowed to finance up to a maximum of 50 % of the annual loan requirements of a local authority, depending on its rating, with the exception iloans smaller than EUR 1 million , for which Agence France Locale can cover up to 100% of the annual financing need.

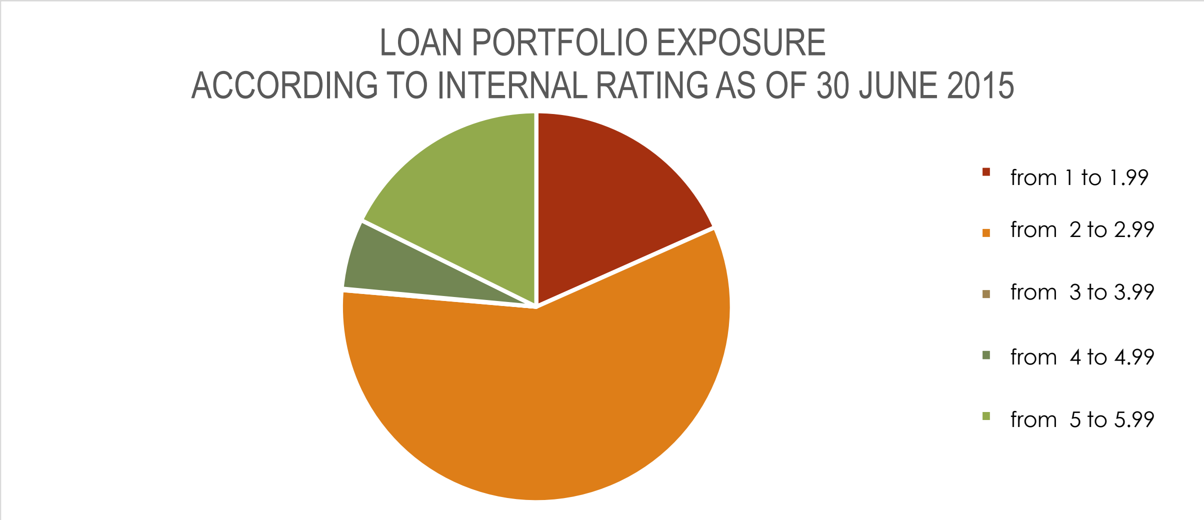
Moreover, the potential counterparty and concentration risks of Agence France Locale associated to its its securities investments - are strongly limited by its very conservative investment policy and by its hedging strategy.

In fact, in order to optimise the management of liquidity consumption due to collateral obligations exchanged on daily basis and associated with an important use of hedging instruments, Agence France Locale favours the execution of its hedging instruments in a clearing house or Central Counterparty (CCP) within the context of EMIR (European Market Infrastructure Regulation) regulation, rather than in a bilateral basis, without however excluding the latter. The clearing of transactions OTC (over-the-counter) in a CCP (Central Counterparty) associated with collateral exchange pursues 2 objectives, the reduction of capital requirement associated to counterparty credit risk, and the efficient us of collateral given opposing interest rate hedging positions in the balance sheet..

As of 30 June 2015, Agence France Locale's interest rate swaps are for the most part treated in bilateral form, whilst the remaining interest rate swaps are offset in a clearing house, with daily collateral exchanged from the first Euro.

b. Credit risk associated to local authorities

As of 30 June 2015, Agence France Locale is exposed, at a rate of over 70%, to local authorities rated between 1 and 2.99 according to its own internal rating system.



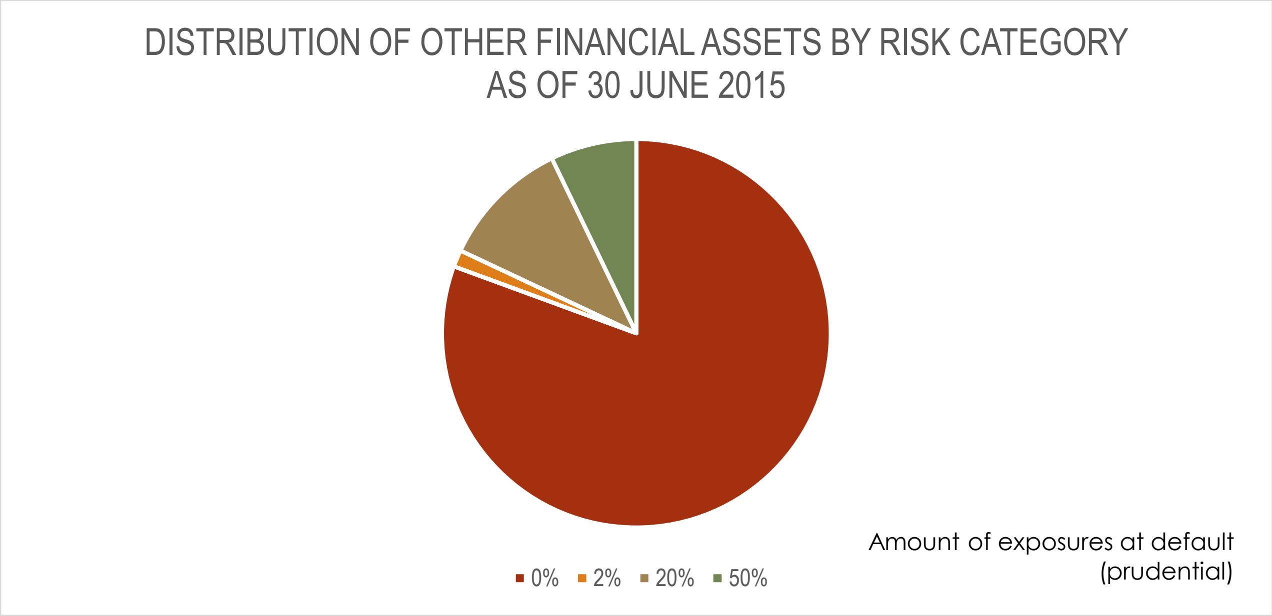
On 30 June 2015, the five largest exposures represented 19.60 % of assets. The first exposure represented 5.1 % of assets and the fifth 2.5 %.

c. Credit risk associated to other exposures

Agence France Locale has three other types of exposures:

- securities acquired in the context of its liquidity reserve management and securities held for the purpose of investing the shareholder equity within the guidelines of a highly cautious investment policy. These securities are for the most part issued or guaranteed by European Union Member States or supranational organisations;
- its bank account balances in Euros, in accounts opened with French banks;
- its derivative exposures, executed as per its interest rate hedging policy .

As of 30 June 2015, the distribution of these exposures by risk category indicates that Agence France Locale is exposed at more than 80% with 0% risk weighted counterparties under to the standard method of credit and counterparty risk weighing.



d. Doubtful debts, disputed debts, provisions

No collective or specific provisions were confirmed as of 30 June 2015 for loans granted to local authorities or for market transactions.

2. Other balance sheet risks

a. Liquidity risk

Liquidity risk can be understood in three distinct ways:

- Liquidity risk: short-term insolvency risk, i.e. the impossibility for Agence France Locale to sell an asset on the market, easily and at a reasonable cost;
- Financing risk: the risk for Agence France Locale to be unable of raising the necessary funds to meet its obligations, i.e. to adequately finance its activities;
- Liquidity transformation risk - also known as liquidity price risk: this is a case of revenue loss resulting from a rise in refinancing spreads together with a high transformation level, i.e. an asset/liability mismatch which generally materialized as assets that are longer than liabilities.

Agence France Locale has put in place a very strict liquidity policy, the primary objective of which is, over time, to ensure that at all times, including during periods of stress, it has access to a liquidity reserve sufficient to maintain its operational activities and in particular its loan activities, and to ensure its capacity to service its debts for a twelve-month period. In fact, in the absence of deposits and resources other than market resources, it is essential that Agence France Locale owns an adequate liquidity reservel. In the context of its liquidity policy, Agence France Locale has established measures which are focused on three objectives:

- the creation of a liquidity reserve made up of liquid assets eligible for the regulatory LCR ratio (*Liquidity Coverage Ratio)* to a minimum level of 150 % with a mid-term objective of achieving a level corresponding to net cash flows over a rolling 12-month period;
- a financing strategy favouring a diversity of debt instruments (including benchmark issuances in Euros, non-benchmark issuances in Euros and potentially in other currencies, private placements, Schuldschein-type loans, etc.) but also a diversity in the investor base, both in terms of geography and investor type;

- with the aim of reducing its liquidity transformation risk, Agence France Locale closely follows any maturity gaps. It seeks to limit to one year the difference in average maturity between its assets and liabilities and to maintain the regulatory NSFR ratio (*Net Stable Funding Ratio*) above 150 %.

As of 30 June 2015, the LCR and NSFR ratios for Agence France Locale are well above 150 %, and the difference in average maturity between assets and liabilities is below the 1 year limit.

b. Interest rate risk

Agence France Locale naturally carries interest rate risks both with its asset exposures (loans extended by Agence France Locale and securities purchased in liquidity reserves) as well as its liability exposures (bond issues).

In consequence, Agence France Locale has set up an interest rate risk hedging policy with the aim to protect its balance sheet from undesirable market movements. The fixed-rate securities which make up the portfolio of shareholder equity re-investment are the only items in the balance sheet which are not hedged against interest rate fluctuations, since this portfolio, financed by shareholder equity, aims at stabilising Agence France Locale's net interest margin..

The terest rate risk hedging policy of Agence France Locale consists of:

- a systematic, fixed-rate micro-hedging of debts to transform them into floating rate liabilities mainly indexed on the Euribor 3-month reference with through interest rate swaps;
- a micro-hedging of fixed-rate contracted loans to transform these into floating rate loans through interest rate swaps (however, when the fixed-rate loans are small, Agence France Locale macro-hedges the group of loans together); and
- a micro-hedging of exposures indexed on different references, so as to reduce the interest rate basis risk.

The interest rate risk hedging strategy translates into notional outstanding swaps totalling of EUR 1.2 billion as of 30 June 2015.

DISTRIBUTION OF OUTSTANDING SWAPS AS OF 30 JUNE 2015	Notional total (in thousands of Euros)
Micro-hedges on debt	750,000
Micro-hedges on loans and securities	433,667
Macro-hedges on loans	2,100
Total long-term swaps	**1,185,767**

As of 30 June 2015, the sensitivity of the current net value of Agence France Locale with a variation of plus-or-minus 100 bps, is maintained within the regulatory interval of plus-or-minus 20 %.

c. Foreign exchange risk

As of 30 June 2015, Agence France Locale has not issued debts or made investments denominated in in foreign currencies - it is therefore not exposed to any foreign exchange risk. In the future, Agence France Locale could be exposed to foreign exchange risk essentially with regards to bond issuances denominated in foreign currencies and asset investment within the context of its liquidity reserve management. Nevertheless, this risk will be hedged in its entirety by the use of micro-hedging instruments, subject to the impact on the financial result of accounting valuation methods associated to hedging instruments and hedged items. As such, assets and liabilities which are initially in foreign currencies will be swapped into Euros as soon as they are recorded in the balance sheet and up until their final maturity.

3. Management of other risks

a. Operational risks and continuous monitoring

Under the recommendations of Basel II on operational risk, Agence France Locale has set up measures of control and s with the aim to prevent, assess, and ensure an early treatment of activity-related risks. It has opted for the standard method and has set up measures corresponding to the best market practices. These are based on the following four principles:

- The **business lines** are the major contributors to operational risk control measures. As such, within their respective area of responsibilities they are accountable for: watching, identifying risk, contributing to incident alert measures defining and implementing action plans, and reporting to the operational risk monitoring responsible.
- The **operational risk monitoring responsibility,** housed within the Department of Risk Management, Monitoring and Compliance of Agence France Locale**,** is independent of the businesses, and its role is to design, implement and monitor these measures.
- The **second level continuous control** checks the implementation of the measures ahead of time.
- The **periodic control** mechanism is responsible for an independent assessment and review of the global operational risk management measures.

The risk management measures also cover reputation risks and risks associated with information system security.

b. Security and payment methods

Agence France Local does not offer its clients any form of payment method.

G. Shareholder equity and prudential ratios

Agence France Locale reports regulatory capital requirements to the ACPR (the French Prudential Supervisory Authority) both on a consolidated basis under the holding company, Société Territoriale, and on an unconsolidated basis for the specialised credit institution. As of 30 June 2015, the consolidated prudential capital amounts to EUR 52.5 million, while unconsolidated capital for the specialised credit institution totals EUR 46.0 million. Considering Agence France Locale's asset credit quality, the Basel III solvency ratio, based on the standard method, stands at 46.8% and 41.0% of consolidated and unconsolidated capital, respectively. Moreover, at the same date the leverage ratio amounts to 5.86% and 5.14% respectively.

H. Outlook for 2015

Nowadays, French local authorities take on a leading role in terms of investment and equipment. As such, they are the foremost public investor in the country. The self-financing of local authorities having gradually diminished over the past years, local projects must in part be achieved through available and competitive external financing. A central preoccupation for local authorities today is to be able to access adequate financial resources at all times in order to fulfil their public service mandate. In this respect, loans offer an appropriate source of funds - even though they are and should remain a minor financial resource for the local authorities.

Within the context of uncertainty which prevails in the private sector with regards to credit activities for local authorities, combined with the planned reductions in transfers from the central government to to local authorities, Agence France Locale's objective is to ensure an access to stable and reliable financing for French local authorities.

The benefits brought on in France by the creation of a local government funding agency as Agence France Locale have been recognised by the French local authorities and their associations of elected officials for a number of years. This is now clearly shown by the launch of loan activities by Agence France Locale and and by the successive new members joining up in the context of capital increases.

1. New credit production in the second half of 2015

At the date of publication of this report, total credit commitments amount to EUR 235 million, corresponding to 30 loan agreements. Agence France Locale expects an increase in its loan production in proportion to the financing needs of its shareholding members which historically display a higher demand in the months of October, November and December. It should be noted that at this date Agence France Locale counts 103 shareholding members and potential borrowers, the total outstanding debt of which I amounts to more than 13% of that of all French local authorities.

2. Increase in shareholder equity in the second half of 2015

The current 103 local authorities which are shareholding members have committed to subscribing EUR 110 million to the capital of the Société Territoriale, of which EUR 72 million were effectively paid as of 30 June 2015. Two complementary capital increases are planned for the second half of the year in order to allow more than 10 new shareholders to join Agence France Locale thus contributing to its dynamic development.

BALANCE SHEET

Assets as of June 30, 2015

(€ '000s)	Note	30/06/2015	31/12/2014
Cash, central banks			
Financial assets at fair value through profit or loss			
Hedging derivative instruments	1	3,396	
Available-for-sale financial assets	2	595,595	
Loans and receivables due from credit institutions	4	21,387	5,919
Loans and advances to customers	5	97,123	
Revaluation adjustment on interest rate hedged portfolios	1	3	
Held-to-maturity financial assets	3	53,866	30,755
Current tax assets			
Deferred tax assets	6	5,668	3,242
Accruals and other assets	7	26,697	1,562
Intangible assets	8	6,641	4,148
Property, plant and equipment	8	671	649
Goodwill			
TOTAL ASSETS		**811,047**	**46,275**

Liabilities as of June 30, 2015

(€ '000s)	Note	30/06/2015	31/12/2014
Central banks			
Financial liabilities at fair value through profit or loss			
Hedging derivative instruments	1	22,127	
Due to credit institutions	9		15,800
Due to customers			
Debt securities	10	728,891	
Revaluation adjustment on interest rate hedged portfolios			
Current tax liabilities			
Deferred tax liabilities	6	1	
Accruals and other liabilities	11	2,357	1,156
Provisions	12	3	3
Equity		**57,668**	**29,316**
Equity, Group share		**57,668**	**29,316**
Share capital and reserves		69,000	35,800
Consolidated reserves		(6,484)	
Reevaluation reserve			
Gains and losses recognised directly in equity		(78)	
Profit (loss) for the period		(4,770)	(6,484)
Non-controlling interests			
TOTAL LIABILITIES		**811,047**	**46,275**

Income statement

(€ '000s)	Note	30/06/2015	30/06/2014	31/12/2014
Interest and similar income	13	1,163	115	425
Interest and similar expenses	13	(1,329)	(22)	(63)
Commissions (income)	14	0.01		
Commissions (expense)	14	(3)	(53)	(53)
Net gains (losses) on financial instruments at fair value through profit or loss	15	(500)		
Net gains (losses) on available-for-sale financial assets	16	(8)	0.4	0.4
Income on other activities				
Expenses on other activities				
NET BANKING INCOME		**(677)**	**41**	**311**
Operating expenses	17	(5,942)	(5,468)	(9,920)
Net depreciation, amortisation and impairments of tangible and intangible assets	8	(535)	(10)	(117)
GROSS OPERATING INCOME		**(7,154)**	**(5,437)**	**(9,726)**
Cost of risk				
OPERATING INCOME		**(7,154)**	**(5,437)**	**(9,726)**
Net gains and losses on other assets				
INCOME BEFORE TAX		**(7,154)**	**(5,437)**	**(9,726)**
Income tax	6	**2,384**	**1,812**	**3,242**
NET INCOME		**(4,770)**	**(3,625)**	**(6,484)**
Non-controlling interests				
NET INCOME GROUP SHARE		**(4,770)**	**(3,625)**	**(6,484)**
Basic earnings per share (in EUR)		(6.91)	(21.33)	(18.11)
Diluted earnings per share (in EUR)		(6.91)	(21.33)	(18.11)

Net income and other comprehensive income

(€ '000s)	30/06/2015	31/12/2014
Net income	**(4,770)**	**(6,484)**
Items will be reclassified subsequently to profit or loss		
Unrealized or deferred gains and losses of financial assets available for sale	(78)	
Unrealized or deferred gains and losses of cash flow hedges		
Taxes on items reclassified subsequently to profit or loss		
Elements not recyclable in profit or loss	**-**	**-**
Items will not be reclassified subsequently to profit or loss	**(78)**	**-**
NET INCOME AND GAINS AND LOSSES THROUGH EQUITY	**(4,848)**	**(6,484)**

Consolidated statement of changes in equity

(€ '000s)	Capital	Associated reserves to capital	Consolidated reserves	Gains or losses, net of tax, recognised directly in equity		Net income, Group share	Share-holders' equity - Group share	Share-holders'equity, non-controlling interests	Total share-holders equity
				Net change in fair value of available-for-sale inancial assets, after tax	Net change in fair value of cash flow hedging derivatives, after tax				
Shareholders' equity at opening									
Increase in share capital	35,800						**35,800**	0	**35,800**
Elimination of treasury shares									
Allocation of profit									
Dividends paid									
Sub-total of changes linked to transactions with shareholders	**35,800**	**-**	**-**	**-**	**-**	**-**	**35,800**	**0**	**35,800**
Changes in fair value through equity									
2014 Net income						(6,484)	**(6,484)**		**(6,484)**
Sub-total	**35,800**	**-**	**-**	**-**	**-**	**(6,484)**	**29,316**	**0**	**29,316**
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 31 december 2014	**35,800**	**-**	**-**	**-**	**-**	**(6,484)**	**29,316**	**0**	**29,316**
Impact of changes in accounting policies									
Shareholders' equity at 1 january 2015	**35,800**	**-**	**-**	**-**	**-**	**(6,484)**	**29,316**	**0**	**29,316**
Increase in share capital	33 200[(1)]						**33,200**		**33,200**
Elimination of treasury shares									
Allocation of profit			(6,484)			6,484	**-**		
Dividends 2014 paid									
Sub-total of changes linked to transactions with shareholders	**33,200**	**-**	**(6,484)**	**-**	**-**	**6,484**	**33,200**	**-**	**33,200**
Changes in fair value through equity				(78)			**(78)**		**(78)**
June 30, 2015 Net income						(4,770)	**(4,770)**		**(4,770)**
Sub-total	**-**	**-**	**-**	**(78)**	**-**	**(4,770)**	**(4,848)**	**-**	**(4,848)**
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 30 june 2015	**69,000**	**-**	**(6,484)**	**(78)**	**-**	**(4,770)**	**57,668**	**-**	**57,668**

(1) Agence carried out two capital increases in the first half of 2015 for the benefit of the Territorial Company, its parent company. The first was subscribed 25 March 2015 to € 17,200k and the second July 4, 2015 for € 16,000k.

Cash flow statement

(€ '000s)	30/06/2015	31/12/2014
Net income before taxes	**(7,154)**	**(9,726)**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	535	117
+/- Net provisions and impairment charges		3
+/- Expense/income from investing activities	(238)	(88)
+/- Expense/income from financing activities	26	63
+/- Other non-cash items	1,266	(414)
= Non-monetary items included in net income before tax and other adjustments	**1,589**	**(320)**
+/- Cash from interbank operations		
+/- Cash from customer operations	(99,667)	
+/- Cash from financing assets and liabilities	(21,815)	
+/- Cash from not financing assets and liabilities	915	9
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(120,567)	
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(126,131)**	**(10,037)**
+/- Flows linked to financial assets and investments	(618,635)	(30,667)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(3,049)	(4,914)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**(621,685)**	**(35,581)**
+/- Cash from or for shareholders	33,200	35,800
+/- Other cash from financing activities	730,084	15,737
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**763,284**	**51,537**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**15,468**	**5,920**
Cash flow from operating activities (A)	(126,131)	(10,037)
Cash flow from investing activities (B)	(621,685)	(35,581)
Cash flow from financing activities (C)	763,284	51,537
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	**5,919**	
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	5,919	
Cash and cash equivalents at the end of the period	**21,387**	**5,919**
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	21,387	5,919
CHANGE IN NET CASH	**15,468**	**5,919**

NOTES TO THE INTERIM ACCOUNTS

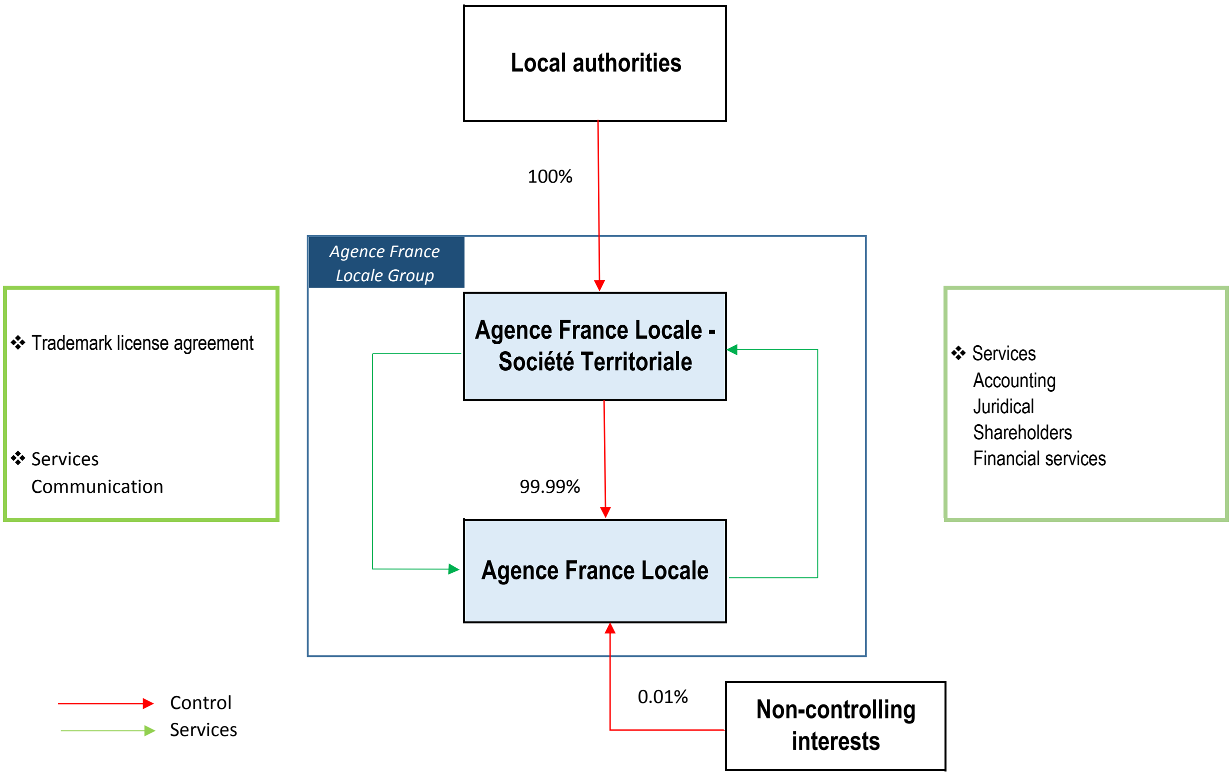
I - General framework

AFL (« Agence ») presentation

The AFL ("Agence) is the subsidiary of Agence France Locale - Société Territoriale ("AFL ST").

The AFL ST is a limited company with Board of Directors. which consists exclusively local authorities are shareholder and member of the Group AFL. The AFL ST is the parant company of the Agence. Agence is a limited company with a Management Board and a Supervisory Board.

The diagram below shows the structure of the AFL group:



II - Highlights from the first half of 2015

The first half of 2015 to mark the start of the Agence in its activity as a credit institution.

On 22 December 2014, 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 EUR 3 billion.

It is on this basis that on 24 March 2015 Agence France Locale launched its inaugural issuance for a nominal amount of EUR 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 EUR 1.3 billion, allowed the company to raise EUR 750 million for 7 years.

During the first half of 2015, Agence saw its capital increase from EUR 35.8 million to EUR 69.0 million following two capital increases subscribed by its parent, Société Territoriale, who had previously received twenty-three new local authorities in its capital.

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 30 June 2015, Agence France Locale had signed EUR 172.1 million in credit agreements of which EUR 96.7 million have been granted and recognised in balance sheet.

For the first half of 2015, the generated Net Banking Income is established at €-677K on 30 June 2015 compared to €41K on 30 June 2014. It essentially corresponds to a negative interest margin of €-166K for the first six months and a net result of hedge accounting of €-500K.

The negative interest margin is a result of three aspects: first of all the absence of a loan portfolio to start with; secondly, a temporary stocking-up of liquidity, product of the inaugural bond issuance on very short-term instruments offering remuneration at a negative rate; and finally, because of the negative carry of the liquidity despite its phased redeployment on securities with a better remuneration. 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.

The hedge accounting net income results from the best practice that the Agence has adopted with regards to the valuation of hedging derivatives and hedge items. This practice is based on a valuation method against Eonia for derivatives which are subject to daily margin calls, while a valuation against Euribor is maintained for hedged instruments. This asymmetry in valuation with regards to the evolution of interest rates, for hedged instruments on the one hand and their derivatives on the other, leads, according to IFRS standards, to a hedge ineffectiveness which is recorded in the profit and loss account. It should nevertheless be noted that these are unrealised gains/losses.

As of 30 June 2015, the general operating expenses reached €5,942K. They show an increase compared to those of the first half of the previous year which amounted to €5,468K. The sum includes €2,102K for personnel expenses compared to €664K on 30 June 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 €6,729K, before the transfer of capital expenditures, close to the total of €6,559K registered on 30 June 2014, and despite a non-recoverable VAT charge of €1,001K incurred by the change in tax regime which the Agence faced after the launch of its activity as a credit institution.

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 €6,729K in administrative charges, €2,948K were recorded as intangible assets on 30 June 2015, compared to €1,755K on 30 June 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 will be operational in the second half of the year.

After taking into account a depreciation charge of €535K compared to €10K on 30 June 2014, the operating income on 30 June 2015 come to €-7,154K compared to €-5,437K for the first half of the previous year.

The fiscal deficit recorded for this period led to the recognition of deferred tax assets which resulted in a tax income of €2,384K.

The first half year 2015 ended with a net loss of € -4.770k compared to a loss of € -3.652k over the same period during the previous year.

III - Principles and methods applicable to Agence, judgments and estimates used

Agence has decided to publish a set of individual financial statements according to IFRS. This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (French GAAP).

The financial statements at June 30, 2015 were reviewed by the Management Board on September 17, 2015.

The condensed interim financial statements for the half-year ended June 30, 2015 were prepared in accordance with IAS 34, Interim financial reporting wich identify accounting and valuation principles to be applied to a half-year financial report..

The preparation of the financial statements involves making assumptions and estimates that may or may not prove accurate in the future. These estimates, which are based on the information available at year-end, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.

Future achievements depend on many factors: fluctuations in interest and foreign exchange rates, the economic environment, changes in regulations or legislation, etc., which means that the final outcome of the transactions concerned may differ from these estimates and have an impact on the financial statements.

The valuation of financial instruments not listed on organized markets involves the use of models based on observable market data for most OTC instruments. The determination of the value of certain instruments, like loans that are not traded on an active market is based on valuation techniques which, in certain cases, rely on parameters that are deemed to be non-observable;

Information on the fair value of financial assets and liabilities carried at cost is disclosed in appendix.

Subsequent events

No significant subsequent events occurred on the beginning of the second half 2015 after the accounts closure date has to be reported.

IV - Accounting principles

In accordance with IFRS 1 "First-time Adoption of IFRS" and pursuant to European Regulation 1606/2002 of July 19, 2002, the condensed interim consolidated financial statements for the first half of 2015 are presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date. The IFRS framework includes IFRS standards and also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee) et SIC (Standing Interpretations Committee).

The condensed interim financial statements for the half-year ended June 30, 2015 were prepared in accordance with IAS 34. As condensed interim financial statements, they do not include all information required by IFRS framework.

The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2013-04 of 7 November 2013 of the French Accounting Standards Authority (Autorité des normes comptables).

Accounting principles applied to the financial statements

Financial assets and liabilities

At the time of initial recognition, financial assets and financial Held-to-maturity financial assets liabilities are measured at fair value including trading costs (with the category Held-to-maturity financial assets (applicable to the exception of financial instruments recognised at fair value through profit or loss.

Subsequently, financial assets and financial liabilities are measured according to their classification, either at fair value or at amortised cost based on the effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to obtain the net carrying amount of the financial asset financial liability.

Assets and financial liabilities are classified as below:

Held-to-maturity financial assets

The category Held-to-maturity financial assets includes securities with fixed or determinable payments that the Group has the intention and ability to hold until maturity other than:

With a few limited exceptions, IAS 39 prohibits the sale or transfer of these securities before they mature. Infringing this rule may result in the Group being prohibited from classifying securities in this category for two financial years

Interest-rate risk hedging transactions on this category of securities are not eligible for hedge accounting as defined by IAS 39.

At year-end, the securities are valued at amortised cost according to the effective interest rate method, which includes amortisation of the premiums and discounts that correspond to the difference between their acquisition and repayment values.

Income received in respect of these securities is shown in “Interest and similar income” in the profit and loss statement.

Where there is objective evidence of impairment, a provision is recorded to represent the difference between book value and estimated recovery value, discounted at the original effective interest rate. This impairment charge is offset against the cost of risk. In the event of a subsequent improvement, the excess provision, which is redundant, is written back.

Available-for-sale financial assets

Applying criteria established by IAS 39, the Group classifies as "Financial assets available for sale":

- Non-consolidated compagnies
- Placement securities

These assets are recognised on the balance sheet at their market value at the time of their acquisition and at subsequent year-ends until they are sold. Movements in fair value are recorded in a specific line in equity capital: “Unrealised or deferred gains and losses”. These unrealized gains and losses recognised in equity capital are not recognised in the profit and loss statement unless they are sold or impaired. Income accrued or received from fixed-income securities is recognised in profit and loss according to the effective net interest method in “Interest and similar income”. Dividends received on variable-income securities are recognised in “Net gains or losses on financial assets available for sale” in the profit and loss statement.

When the securities are sold, unrealised gains and losses that were previously recorded in equity capital are recycled through the profit and loss statement in “Net gains or losses on financial assets available for sale”.

Loans and receivables

Loans and receivables are non-derivative financial assets, which are not listed on an active market and for which returns are fixed or can be determined. They include credit institution and customer loans and receivables. Following their initial recognition, they are recognized at amortised cost using the effective interest rate method and may be subject to impairment, if required.

The effective interest rate is the exact rate used for discounting future cash flows at the initial fair value of the loan. It includes transaction costs and ancillary revenues (arrangement fees, commitment fees when drawdown is deemed more likely than not, or participation fees) directly related to the issuance of loans, considered to be an integral part of returns on lending.

Income calculated based on the effective interest rate is recognized in the balance sheet under accrued interests in the income statement.

Impairment of financial assets

The Group records charges for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, as a result of one or more events occurring since initial recognition and when that loss event has an impact on the estimated future cash flows that can be reliably estimated. Impairment represents management's best estimate of losses in the value of assets at each balance-sheet date.

Impairment of financial assets measured at amortized cost

The Group begins by identifying whether there is objective evidence of an event occurring after a loan or a financial asset acquired was granted that is likely to lead to a loss of value.

<u>Individually assessed financial assets:</u> if there is objective evidence that loans or other receivables, or held-to maturity assets are impaired, the impairment charge is calculated as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows discounted at the financial instrument's original effective interest rate. When an asset is individually impaired, it will be excluded from the portfolio on which a collective impairment is calculated.

<u>Collective impairment:</u> this covers the risk of loss in value not covered by specific impairment where there is objective evidence that probable losses are present in certain segments of the lending portfolio on the balance-sheet date. These losses are estimated on the basis of past performance and historical loss experience in each segment and the current environment in which borrowers operate.

Available for sale impairment

In the event of a prolonged or material reduction in the fair value of equity instruments, an impairment charge is recorded on financial assets available for sale. The same applies to debt securities in the event of a significant deterioration in the credit risk.

Losses on the impairment of variable income securities recognized in profit and loss cannot be reversed while the instrument concerned is shown on the balance sheet. They are recognised in "Net gains or losses on financial Assets available for sale". Losses on the impairment of fixed-income securities are reversible and are recognised in cost of risk when they involve credit risk financial policies of the company, regardless of its percentage of ownership.

Financial assets held for trading

The Group does not hold any trading assets.

Financial assets designated at fair value through profit or loss (fair value option)

The Group does not use the option to designate its financial assets at fair value through profit or loss.

Recognition date of securities

AFL Group records on the settlement date securities the Held-to-maturity financial assets. Other securities, regardless of type or classification, are recognised on the trading date.

Fixed assets

Fixed assets shown on the balance sheet include tangible and intangible operating assets, i.e. assets used for administrative purposes. The Group has no investment property.

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put them in working order so that they can be used.

Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss of value is identified at year-end. Fixed assets that are not depreciated are subject to impairment tests in cases where potential evidence of a loss of value is identified at year-end, and at least once a year.

If evidence of a loss of value is recorded, the recoverable value of the asset is compared with its net book value. In the event of a loss of value, an impairment charge is recorded in the profit and loss statement. That impairment changes the depreciation schedule of the asset going forwards. The impairment is reversed in the event of a change in the estimated recoverable value or the evidence of impairment disappears.

Tangible assets

Tangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years

Intangible assets

Software are recognised in intangible assets as they meet the following three criteria in respect of IAS 38:

- Must be identifiable;
- Be controlled by the Company;
- Is likely that the future economic advantages attributable to such an element will go to the Company

Intangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Software	5 years
Website	3 years
Software development	5 years

Debt

Debt that is not classified in financial liabilities at fair value is initially recorded at cost, which corresponds to the fair value of the amounts borrowed net of transaction costs. At year-end, the debt is valued at amortised cost according to the effective interest rate and recorded in the balance sheet under “Debt payable to credit institutions” or “Debt represented by a security”.

Debt payable to credit institutions

Debt payable to credit institutions is broken down according to their initial maturity or nature of the debt: overnight debt (overnight deposits, ordinary accounts) or term debt (savings accounts).

Debt represented by a security

Financial instruments are classified as debt instruments if the issuer is required to remit cash or other financial assets or to exchange instruments under potentially unfavorable conditions. Debt represented by a security consists of negotiable debt securities issued by Agence.

Reimbursement and issue premiums are amortized according to an actuarial method over the expected life of the securities concerned. They are recorded on the balance sheet in items corresponding to the type of debt concerned. The amortization of these premiums is recorded in the income statement as interest income and expense on debt securities. In the case of bonds issued above par, the amortization of issue premiums is deducted from related interest income on debt securities. Interest paid on debt is accounted for as interest expense on debt securities for accrued amounts, due and not yet due, calculated prorata temporis on the basis of contractual rates.

Fees paid on bond issues are amortized on an actuarial basis over the life of the related financial liabilities.

Financial derivatives and hedge accounting

According to IAS 39, a derivative is a financial instrument or other contract that has the following three characteristics:

- Its value fluctuates according to an interest rate, the price of a financial instrument, the price of a commodity, an exchange rate, a price or share price index, a credit rating or credit index, or another variable known as the underlying asset;
- It requires a low or nil initial net investment, or a net investment that is lower than the investment required by a non-derivative financial instrument in order to achieve the same sensitivity to the underlying asset;
- It is unwound at a future date.

Derivatives held for transaction purposes

Derivatives belong to the category of financial instruments held for trading, except for derivatives that are used for hedging purposes. Their fair value is recognised in the balance sheet in “Financial instruments at fair value through profit and loss”. Movements in fair value and interest accrued or received are recognised in “Net gains and losses on financial instruments at fair value through profit and loss”.

Hedge accounting

Fair value hedges are intended to provide protection from exposure to a change in the fair value of an asset or of a liability that has been recognised, or of a firm commitment that has not been recognised. Cash flow hedges are intended to provide protection from a change in future cash flows from financial instruments associated with a recognised asset or liability (for example, with all or part of future interest payments on a floating-rate debt) or a projected transaction that is considered to be highly probable. Hedges of net investments in a foreign operation are intended to provide protection from the risk of an adverse movement in fair value arising from the foreign exchange risks associated with a foreign investment in a currency other than the euro. Hedges must meet the following criteria in order to be eligible for hedge accounting:

- The hedging instrument and the instrument hedged must be eligible;
- There must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk;
- The effectiveness of the hedge must be demonstrated, at inception and retrospectively, by testing at each reporting date.

Fair value hedge

Any revaluation of the derivative is recognised in profit and loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains or losses on financial instruments at fair value through profit and loss" in the profit and loss statement. As soon as the hedge relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential failure in the hedge is directly recognised in profit and loss. The portion relating to the accrued income or expenses of the derivative instrument is recognised in Income and interest expense in the profit and loss statement at the same time as the interest income and expense relating to the hedged item.

If at any time the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to profit or loss over the residual maturity of the hedged item by adjusting the yield on the hedged item.

Cash flow hedges

The change in value of the derivative is recognised in the balance sheet through a specific account in other comprehensive income for the efficient portion and any inefficient portion of the hedge is recognised in the income statement. Any profits or losses on the derivative accrued through other comprehensive income are then reclassified in the income statement when the hedged cash flows occur;

Macro-hedging

The Group applies the provisions of IAS 39, as adopted by the European Union, to macro-hedging transactions that are performed as part of the asset & liability management of fixed-rate positions. Macro-hedging instruments are interest-rate swaps designated as fair value hedges for the Group's fixed-rate resources. Macro-hedging derivatives are accounted for according to the same principles as those described above. The revaluation of the hedging component is recognised in "Revaluation differences on portfolios hedged against interest rate risk".

Determining fair value or market value

IFRS 13 defines fair value as the price received for the sale of an asset or paid for the transfer of a liability in a standard transaction between market participants on the valuation date.

When an instrument is initially recognised, its fair value is generally the transaction price.

IFRS 13 recommends using a price quoted on an active market in the first instance to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multiple inputs), an intermediary or a regulatory agency, and if those prices represent real transactions (volume and price range) under normal competition conditions.

In the absence of an active market, the fair value must be determined using valuation techniques.

These techniques include the use of recent transactions performed in a normal competition environment. They are based on market data, on the fair value of substantially identical instruments, or on cash flow or option valuation discount models, and involve recognised valuation methods.

The aim of a valuation technique is to establish what the price of an instrument would be under normal market conditions.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

Fair value of financial instruments are presented in Appendix over three levels in descending order of observability of values and parameters used for their valuation:

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 2 is composed of:

- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.

- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.

Level 3: fair value that is measured using significant unobservable inputs

For some instruments that are not traded in an active market, fair value measurement is based on valuation techniques using assumptions i.e. that cannot be observed on the market for an identical instrument. Loans to local authorities are disclosed within Level 3.

Financial guarantees

According to IAS 39, a contract meets the definition of a financial guarantee if it includes an indemnity clause, according to which the issuer shall compensate the beneficiary for losses that the latter has suffered due to the default of a debtor who was specifically designated to make a payment on a debt instrument.

Provisions

Provisions are recorded in balance sheet liabilities when the Group has an obligation towards a third party and that obligation is likely or certain to cause an outflow of funds for the benefit of the third party with no expectation of a counter-payment that is at least equivalent.

Provisions and provision reversals are recorded in profit and loss on the lines that correspond to the nature of the future expenditure involved.

Interest income and expense

Interest income and expense are recognised in the profit and loss statement for all financial instruments valued at amortised cost using the effective interest rate.

Interest income and expense include for available for sale and held to maturity securities, the difference between the purchase price and the redemption value which is spread over the remaining life of the security on an actuarial basis.

The effective interest rate is the rate that discounts future cash outflows or inflows exactly over the expected life of the financial instrument, so as to arrive at the net book value of the financial asset or liability.

The calculation of this rate factors in commissions received or paid, which are by nature an integral part of the effective contract rate.

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.

Current tax expense

The current income tax expense is calculated using a 33 1/3% rate which is the effective tax rate for the 31 December 2015 period.

Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The tax rates enacted or substantively enacted at the balance-sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is recognised as tax income or expense in the profit and loss statement, except for tax relating to unrealised gains and losses on assets available for sale, and for movements in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.

IAS 12 prohibits discounting of deferred tax assets and liabilities.

Post-employment benefits

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method.

Under this method, each period of service gives rise to an additional unit in terms of benefit entitlement and each unit is assessed separately so as to calculate the final obligation. This final obligation is then discounted. The main items taken into account in these calculations are:

• an estimated date of payment of the benefit,

• a financial discount rate

• an inflation rate

• assumptions on salary increases, staff turnover

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the “Income and expenses recognized directly in equity” statement, and will not be recycled in the income statement.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

• The service cost (recognized in “Operating income” in “Other general operating expenses”);

• The finance cost less the expected yield on plan assets (recognized in “Non-operating income” in “Pension obligation expense or income”). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.

These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.

V - Notes to the Balance Sheet

Note 1 - HEDGING DERIVATIVES

Analysis by type of hedge

(€ '000s)	30/06/2015		31/12/2014	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	3,396	22,124		
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges		3		
Total Hedging derivatives	**3,396**	**22,127**	**-**	**-**

Detail of derivatives designated as fair value hedges

	30/06/2015				31/12/2014			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Négative	To receive	To deliver	Positive	Négative
FIRM TRANSACTIONS	**765,000**	**418,667**	**3,396**	**22,124**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**765,000**	**418,667**	**3,396**	**22,124**	**-**	**-**	**-**	**-**
Interest rate contracts	765,000	418,667	3,396	22,124				
FRA								
Cross Currency Swaps								
Other contracts								

Detail of derivatives designated as interest rate hedged portfolios

	30/06/2015				31/12/2014			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Négative	To receive	To deliver	Positive	Négative
FIRM TRANSACTIONS	**-**	**2,100**	**-**	**3**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**2,100**	**-**	**3**	**-**	**-**	**-**	**-**
Interest rate contracts		2,100		3				
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Notional amount by maturity

	30/06/2015					
	Hedging transactions			Other transactions		
(€ '000s)	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
FIRM TRANSACTIONS	**264,000**	**-**	**921,767**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts						
Other contracts						
Over-the-counter markets	**264,000**	**-**	**921,767**	**-**	**-**	**-**
Interest rate contracts	264,000		921,767			
FRA						
Cross Currency Swaps						
Other contracts						
CONDITIONAL TRANSACTIONS						
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**

PORTFOLIO

Note 2 - Available-for-sale financial assets

Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2015	31/12/2014
Government paper and similar securities	552,485	
Bonds	43,109	
Other fixed income securities		
Net amount in balance sheet	**595,595**	**-**
Including depreciation	-	
Including net unrealised gains and losses	(110)	

Fixed-income securities - Analysis by contreparty

(€ '000s)	30/06/2015	31/12/2014
Local public sector	349,906	
Financial institutions	236,705	
Central banks	8,984	
Net amount in balance sheet	**595,595**	**-**

Fixed income securities held on Financial institutions include 193 672k€ of securities guaranteed by governments.

Changes in Available-for-sale financial assets

(€ '000s)	Total amount as of 31/12/2014	Additions	Disposals	Gains/(losses) in fair value recognised in equity	Impairment recognised in Income statement	Change in accrued interest	Other movements	Total 30/06/2015
Government paper and similar securities	-	958,282	(406,390)	(93)	-	792	(107)	552,485
Bonds	-	43,134	-	(17)	-	(7)	-	43,109
Other fixed income securities	-	-	-	-	-	-	-	-
TOTAL	**-**	**1,001,416**	**(406,390)**	**(110)**	**-**	**785**	**(107)**	**595,595**

Note 3 - Held-to-maturity financial assets

(€ '000s)	30/06/2015	31/12/2014
Government paper and similar securities	36,623	13,309
Bonds	17,243	17,446
Other fixed income securities	-	-
Net amount in balance sheet	**53,866**	**30,755**
Including depreciation		

Change in Held-to-maturity financial assets

(€ '000s)	Total amount as of 31/12/2014	Additions	Disposals	Impairment recognised in Income statement	Change in accrued interest	Other movements	Total 30/06/2015
Government paper and similar securities	13,309	23,430	-	-	(116)	-	36,623
Bonds	17,446	5	-	-	(208)	-	17,243
Other fixed income securities	-	-	-	-	-	-	-
TOTAL	**30,755**	**23,435**	**-**	**-**	**(324)**	**-**	**53,866**

Note 4 - RECEIVABLES ON CREDIT INSTITUTIONS

(€ '000s)	30/06/2015	31/12/2014
Loans and receivables		
- demand	21,387	5,919
- time		
Securities bought under repurchase agreements		
TOTAL	**21,387**	**5,919**
Impairment		
NET CARRYING AMOUNT	**21,387**	**5,919**

Note 5 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2015	31/12/2014
Short-term credit facilities		
Other loans	97,123	
Customers transactions before impairment charges		
Impairment		
Net carrying amount	**97,123**	**-**
Of which individual impairment		
Of which collective impairment		

Note 6 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	30/06/2015	31/12/2014
Net asset as at 1st of january	3,242	
Of which deferred tax assets	3,242	
Of which deferred tax liabilities		
Recognised in income statement	**2,384**	**3,242**
Income statement (charge) / credit	2,384	
Recognised in equity	**41**	**-**
Available-for-sale financial assets	41	
Cash flow hedges		
Other		
Net asset as at	**5,667**	**3,242**
Of which deferred tax assets	5,668	3,242
Of which deferred tax liabilities	1	

As at 30 June 2015, Agence recognised deferred tax assets corresponding to losses carried forward. At the end of the half year, the Group assessed the recovery of these losses as probable. Estimated profit projections based on the most recent revenue projections showed that Agence's operations should generate sufficient taxable profits to absorb its carried forward losses in a medium-term horizon.

Deferred tax net assets are attributable to the following items:

(€ '000s)	30/06/2015	31/12/2014
Available-for-sale financial assets	42	
Cash flow hedges		
Losses carried forward	5,538	3,242
Other temporary differences	89	
TOTAL DEFERRED TAX ASSETS	**5,668**	**3,242**

Deferred tax net liabilities are attributable to the following items:

(€ '000s)	30/06/2015	31/12/2014
Available-for-sale financial assets	1	
Cash flow hedges		
Other temporary differences		
TOTAL DEFERRED TAX LIABILITIES	**1**	**-**

Note 7 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2015	31/12/2014
Other assets		
Cash collateral paid	25,469	62
Other assets	913	1,474
Impairment		
Net carrying amount	**26,382**	**1,536**
Accruals		
Prepaid charges	212	26
Other deferred income	103	
Transaction to recieve and settlement accounts		
Other accruals		
Total	**315**	**26**
TOTAL OTHER ASSETS AND ACCRUALS	**26,697**	**1,562**

Note 8 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2014	Additions	Transfers	Disposals	Amort.	Other movements	30/06/2015
Intangible fixed assets							
IT development costs	3,861		760				4,621
Other intangible assets	268	36					304
Intangible assets in progress	122		2,188				2,310
Intangible fixed assets gross amount	**4,251**	**36**	**2,948**	**-**	**-**	**-**	**7,235**
Depreciation and allowances - Intangible fixed assets	(103)				(492)		(594)
Intangible fixed assets net carrying amount	**4,148**	**36**	**2,948**	**-**	**(492)**	**-**	**6,641**

Tangible fixed assets	31/12/2014	Additions	Transfers	Disposals	Amort.	Other movements	30/06/2015
Property, plant & equipment	663	65					728
Tangible fixed assets gross amount	**663**	**65**	**-**	**-**	**-**	**-**	**728**
Depreciation and allowances - Tangible fixed assets	(14)				(43)		(58)
Tangible fixed assets net carrying amount	**649**	**65**	**-**	**-**	**(43)**	**-**	**671**

Note 9 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	30/06/2015	31/12/2014
Accounts and Overdrafts		
- demand		15,800
- time		
Securities sold under repurchase agreements		
TOTAL	**-**	**15,800**

Note 10 - DEBT SECURITIES

(€ '000s)	30/06/2015	31/12/2014
Negotiable debt securities		
Bonds	728,891	
Other debt securities		
TOTAL	**728,891**	**-**

Note 11 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	30/06/2015	31/12/2014
Other liabilities		
Cash collateral received		
Miscellaneous creditors	1,713	958
Total	**1,713**	**958**
Accruals		
Transaction to pay and settlement accounts		
Other accrued expenses	644	199
Unearned income		
Other accruals		
Total	**644**	**199**
TOTAL ACCRUALS AND OTHER LIABILITIES	**2,357**	**1,157**

Note 12 - PROVISIONS

(€ '000s)	Balance as of 31/12/2014	Depreciatio n charges	Reversals amounts used	Reversals amounts not used	Other movements	Solde au 30/06/2015
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	3					3
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**3**	**-**	**-**	**-**	**-**	**3**

OFF-BALANCE SHEET

(€ '000s)	30/06/2015	31/12/2014
Commitments given	**72,100**	
Financing commitments	72,100	
For credit institutions		
For customers	*72,100*	
Guarantee commitments		
For credit institutions		
For customers		
Commitments on securities		
Securities to be delivered to the issuance		
Other securities to be delivered		
Commitments received	**24,942**	**9,200**
Financing commitments		9,200
From credit institutions		*9,200*
Guarantee commitments		
From credit institutions		
From customers		
Commitments on securities	24,942	
Securities receivable	*24,942*	

VI - Notes to the Income Statement

Note 13 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Interest and similar income	**1,163**	**115**	**425**
Due from banks			
Due from customers	161		
Bonds and other fixed income securities	189	115	425
from Held-for-sale securities	*(168)*		
from Held-to-maturity securities	*357*	*115*	*425*
Income from interest rate instruments	813		
Other interest income			
Interest and similar expenses	**(1,329)**	**(22)**	**(63)**
Due to banks	(28)	(22)	(63)
Due to customers			
Debt securities	(831)		
Expense from interest rate instruments	(470)		
Other interest expenses			
Interest margin	**(166)**	**93**	**363**

Note 14 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Commission income	**0.01**	**-**	**-**
Interbank transactions			
Customer transactions			
Securities transactions			
Forward financial instruments transactions			
Currencies transactions	0.01		
Financing commitments and guarantee			
Other commissions recieved			
Commission expenses	**(3)**	**(53)**	**(53)**
Interbank transactions	(0.04)	(53)	(53)
Securities transactions			
Forward financial instruments transactions	(3)		
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net fee and commission income	**(3)**	**(53)**	**(53)**

Note 15 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Gains/(losses) on Trading book			
Net result of hedge accounting	(500)		
Net result of foreign exchange transactions			
TOTAL	**(500)**	**-**	**-**

Analysis of net result of hedge accounting

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Fair value hedges			
Fair value changes in the hedged item attributable to the hedged risk	14,492		
Fair value changes in the hedging derivatives	(14,993)		
Cash flow hedges			
Fair value changes in the hedging derivatives – ineffective portion			
Discontinuation of cash flow hedge accounting			
Portfolio hedge			
Fair value changes in the hedged item	3		
Fair value changes in the hedging derivatives	(3)		
Net result of hedge accounting	**(500)**	**-**	**-**

Note 16 - NET GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Gains from disposal of fixed income securities	11		
Losses from disposal of fixed income securities	(19)		
Gains from disposal of variable income securities		0.4	(0.4)
Other income/(expenses) from held-for-sale securities			
Impairment (charges) and reversals on held-for-sale securities			
Gains or (losses) on available-for-sale portfolio	**(8)**	**0.4**	**(0.4)**

Note 17 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Employee expenses			
Wages and salaries	1,430	435	1,359
Post-employment benefit expenses	149	47	142
Other expenses	523	182	485
Total Employee expenses	**2,102**	**664**	**1,986**
Operating expenses			
Taxes and duties	65	6	19
External services	6,665	6,553	12,232
Total Administrative expenses	**6,729**	**6,559**	**12,251**
Charge-backs and reclassification of administrative expenses	(2,890)	(1,755)	(4,317)
Total General operating expenses	**5,942**	**5,468**	**9,920**

VII - Notes to Risk exposure

A - Fair value of financial instruments

For financial reporting purposes, the new standard IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three Levels, reflecting the extent to which the valuation is based on observable data.

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3: Fair value instruments which are measured at least in part on the basis of non-observable market in the valuation.

Fair value of instruments carried at fair value:

	30/06/2015			
		Measured using		
(€ '000s)	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Derivative financial instruments	**3,396**	-	3,396	-
Government paper and similar securities	552,485	552,485	-	-
Bonds	43,109	43,109	-	-
Other fixed income securities	-	-	-	-
Total Available-for-sale financial assets	**595,595**	**595,595**	**-**	**-**
Total Financial assets	**598,991**	**595,595**	**3,396**	**-**
Financial liabilities				
Derivative financial instruments	(22,127)	-	(22,127)	-
Total Financial liabilities	**(22,127)**	**-**	**(22,127)**	**-**

Fair values of instruments carried at amortised cost:

	30/06/2015				
			Measured using		
(€ '000s)	**Valeur comptable**	**Juste valeur**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans and receivables due from credit institutions	**21,387**	21,387	-	-	21,387
Loans and advances to customers	**97,123**	97,123	-	-	97,123
Government paper and similar securities	36,623	35,766	35,766		
Bonds	17,243	18,863	18,863		
Other fixed income securities					
Total Held-to-maturity financial assets	**53,866**	**54,630**	**54,630**	**-**	**-**
Total Financial assets	**172,376**	**173,140**	**54,630**	**-**	**118,510**
Financial liabilities					
Debt securities	728,891	727,967	727,967	-	-
Total Financial liabilities	**728,891**	**727,967**	**727,967**	**-**	**-**

For Loans and receivables due from credit institutions, which are deposits, the fair value used was the nominal value.

B - Credit risk exposure

The tables below disclose the maximum exposure to credit risk at 30 June 2015 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

(€ '000s)	Performing assets	Past due but not impaired	Impairment allowance	Total 30/06/2015
Hedging derivative instruments	3,396			**3,396**
Available-for-sale financial assets	595,595			**595,595**
Loans and receivables due from credit institutions	21,387			**21,387**
Held-to-maturity financial assets	53,866			**53,866**
Loans and advances to customers	97,123			**97,123**
Revaluation adjustment on interest rate hedged portfolios	3			**3**
Other assets	26,382			**26,382**
Sub-total Assets	**797,752**	**-**	**-**	**797,752**
Financing commitments given	72,100			**72,100**
TOTAL Credit risk exposure	**869,852**	**-**	**-**	**869,852**

Analysis by contreparty

(€ '000s)	Total 30/06/2015
Central banks	14,575
Local public sector	557,960
Credit institutions guaranteed by the EEA States	193,672
Credit institutions	68,670
Other financial corporations	34,914
Non-financial corporations	62
Total Exposure by contreparty	**869,852**

Exposure analysis by contry

(€ '000s)	Total 30/06/2015
France	481,867
Supranational	319,478
Netherlands	32,942
Belgium	30,050
Norway	3,014
Sweden	2,501
Total Exposure by contreparty	**869,852**

C - Liquidity risk : Assets and liabilities, analysed by remaining contractual maturity

(€ '000s)	Less than 3 month	3 month to 1 year	1 year to 5 years	more than 5 years	Total	Accruals	Revaluation	Total 30/06/2015
Hedging derivative instruments				3,441	**3,441**	**(45)**		3,396
Available-for-sale financial assets								
Government paper and similar securities	276,987	118,703	156,013		551,703	876	(93)	552,485
Bonds		25,047	18,067		43,114	13	(17)	43,110
Total Available-for-sale financial assets	**276,987**	**143,749**	**174,080**	**-**	**594,816**	**889**	**(110)**	595,595
Loans and receivables due from credit institution	21,387				**21,387**			21,387
Held-to-maturity financial assets								
Government paper and similar securities				36,444	36,444	179		36,623
Bonds				17,202	17,202	41		17,243
Total Held-to-maturity financial assets	**-**	**-**	**-**	**53,646**	**53,646**	**220**	**-**	**53,866**
Loans and advances to customers	500	5,321	25,925	67,921	**99,667**	**54**	**(2,597)**	**97,123**
Revaluation adjustment on interest rate hedged portfolios					**0**		**3**	**3**
Other assets	26,382				**26,382**			**26,382**
TOTAL ASSETS								**797,752**
Hedging derivative instruments	10	0		22,786	**22,797**	**(670)**		**22,127**
Debt securities				750,000	**750,000**	**692**	**(21,801)**	**728,891**
Accruals and other liabilities	2,357				**2,357**			**2,357**
TOTAL LIABILITIES								**753,375**

ABCD

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Agence France Locale S.A.

Statutory Auditors' Review Report

on the half-yearly financial statements
in accordance with IFRSs

For the six-month period ended June 30, 2015
Agence France Locale S.A.
Tour Oxygène - 10-12, boulevard Vivier Merle - 69393 Lyon cedex 03
This report contains 22 pages

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This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Agence France Locale S.A.

Siège social : Tour Oxygène - 10-12, boulevard Vivier Merle - 69393 Lyon cedex 03
Capital social : €.69 000 000

Statutory Auditors' Review Report on the Half-yearly Financial Information in accordance with IFRSs

For the six-month period ended June 30, 2015

Ladies and gentlemen,

In our capacity as Statutory Auditors of Agence France Locale S.A. and pursuant to your request, in the context of the communication of historical financial information linked to the Base Prospectus, we have conducted a review of the accompanying condensed half-yearly financial statements of Agence France Locale – S.A. in accordance with IFRSs as adopted by the European Union, for the six-months period ended June 30, 2015.

These condensed half-yearly financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly financial statements as at June 30, 2015 are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes. We accept no liability with regard to any third party to whom this report is distributed or into whose hands it may fall.

This report shall be governed by, and construed in accordance with French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Paris La Défense, September 29, 2015	Paris, September 29, 2015
KPMG Audit FS I	Cailliau Dedouit et Associés
Fabrice Odent Associé	Lauren Brun Associé

BILAN

Assets as of 30th of june 2015

(€ '000s)	Notes	30/06/2015	31/12/2014
Cash and central banks			
Government paper and similar securities	1	589,076	13,309
Receivables on credit institutions	2	21,387	5,919
Loans and advances to customers	4	99,720	
Bonds and other fixed income securities	1	60,352	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	8,109	5,829
Property, plant and equipment	5	671	649
Other assets	6	26,382	1,536
Accruals	6	4,984	26
TOTAL ASSETS		**810,682**	**44,714**

Liabilities as of 30th of june 2015

(€ '000s)	Notes	30/06/2015	31/12/2014
Central banks			
Due to banks	3		15,800
Customer borrowings and deposits			
Debt securities	7	750,692	
Other liabilities	8	2,357	1,157
Accruals	8	3,563	
Provisions	9	3	3
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	**10**	**54,067**	**27,754**
Share capital		69,000	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 (+/-)		(6,887)	(8,046)
TOTAL LIABILITIES		**810,682**	**44,714**

INCOME STATEMENT

(€ '000s)

	Notes	30/06/2015	30/06/2014	31/12/2014
+ Interest and similar income	12	1,286	128	425
- Interest and similar expenses	12	(1,319)	(22)	(63)
+ Income from variable income securities				
+ Fee and commission income	13	0		
- Fee and commission expenses	13	(1,128)	(53)	(53)
+/- Net gains (losses) on held for trading portfolio	15	(10)		
+/- Net gains (losses) on placement portfolio	15	(151)		1
+ Other banking income	14	1,125		
- Other banking expense				
NET BANKING INCOME		**(198)**	**54**	**311**
- General operating expenses	16	(5,942)	(4,023)	(7,798)
+ Other operating income			(6)	
- Depreciation and amortization	5	(747)	(154)	(559)
GROSS OPERATING INCOME		**(6,887)**	**(4,130)**	**(8,046)**
- Cost of risk				
OPERATING INCOME		**(6,887)**	**(4,130)**	**(8,046)**
+/- Net gains (losses) on fixed assets				
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**(6,887)**	**(4,130)**	**(8,046)**
+/- Net extraordinary items				
- Income tax charge				
+/- Net allocation to FGBR and regulated provisions				
NET INCOME		**(6,887)**	**(4,130)**	**(8,046)**
Basic earnings per share		(9.98)	(24.29)	(22.47)

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	30/06/2015	31/12/2014
Commitments given		**72,100**	**-**
Financing commitments		72,100	
Guarantee commitments			
Commitments on securities			
Commitments received		**24,942**	**9,200**
Financing commitments			9,200
Commitments received from credit institutions			*9,200*
Guarantee commitments			
Commitments on securities		24,942	
Derivatives		**1,185,767**	

NOTES TO THE INDIVIDUAL ACCOUNTS UNDER FRENCH GAAP

I - Publication context

The half year financial statements were approved by the Executive Board as of September 17, 2015.

II - Highlights from the first half of 2015

The first half of 2015 to mark the start of the Agence in its activity as a credit institution.

On 22 December 2014, 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 EUR 3 billion.

It is on this basis that on 24 March 2015 Agence France Locale launched its inaugural issuance for a nominal amount of EUR 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 EUR 1.3 billion, allowed the company to raise EUR 750 million for 7 years.

During the first half of 2015, Agence saw its capital increase from EUR 37.3 million to EUR 71.8 million following two capital increases subscribed by its parent, Société Territoriale, who had previously received twenty-three new local authorities in its capital.

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 30 June 2015, Agence France Locale had signed EUR 172.1 million in credit agreements of which EUR 96.7 million have been granted and recognised in balance sheet.

For the first half of 2015, the generated Net Banking Income is established at €-198K on 30 June 2015 compared to €53K on 30 June 2014. It essentially corresponds to a negative interest margin of €-34K for the first six months and an impairment of Held-for-sale securities of € -143K.

The negative interest margin is a result of three aspects: first of all the absence of a loan portfolio to start with; secondly, a temporary stocking-up of liquidity, product of the inaugural bond issuance on very short-term instruments offering remuneration at a negative rate; and finally, because of the negative carry of the liquidity despite its phased redeployment on securities with a better remuneration. 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.

As of 30 June 2015, the general operating expenses reached €5,942K. They show an increase compared to those of the first half of the previous year which amounted to €4,023K. The sum includes €2,091K for personnel expenses compared to €748K on 30 June 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 €7,398K, before the transfer of capital expenditures, close to the total of €6,468K registered on 30 June 2014, and despite a non-recoverable VAT charge of €1,001K incurred by the change in tax regime which the Agence faced after the launch of its activity as a credit institution.

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 €7,398K in administrative charges, €2,948K were recorded as intangible assets on 30 June 2015, compared to €1,689K on 30 June 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 will be operational in the second half of the year.

After taking into account a depreciation charge of €747K compared to €154K on 30 June 2014, the operating income on 30 June 2015 come to €-6,887K compared to €-4,130K for the first half of the previous year.

The first half year 2015 ended with a net loss of € -6.887k compared to a loss of € -4.130k over the same period during the previous year.

Subsequent events

No significant subsequent events occurred on the beginning of the second half 2015 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 applyed 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 applyed 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 inccured for the etablishment 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 conterparty 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 separatly 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 prorata 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 secuties 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 prorata 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 in the income statement if the hedging instrument has been cancelled.

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 Térritoriale. This entity pays the total income tax owed by the group. The Agence records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group. Tax savings realized by the tax group are recorded in the accounts of Agence France Locale - Société Térritoriale.

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 June 30, 2015

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

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

30/06/2015	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	588,147	60,316		648,462
Unlisted securities				-
Accrued interest	1,055	54		1,109
Impairment	(125)	(18)		(18)
Net carrying amount	**589,076**	**60,352**	**-**	**649,553**
Residual net Premium/Discout	4,849	316		5,166

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/Discout	762	202		964

Government paper and similar securities: analysis by residual maturity

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2015	Total 31/12/2014
Government paper and similar securities								
Net amount	276,875	118,700	155,901	36,546	588,021	1,055	589,076	13,309
NET CARRYING AMOUNT	**276,875**	**118,700**	**155,901**	**36,546**	**588,021**	**1,055**	**589,076**	**13,309**
Bonds and other fixed income securities								
Net amount		25,044	18,052	17,202	60,298	54	60,352	17,446
NET CARRYING AMOUNT	**-**	**25,044**	**18,052**	**17,202**	**60,298**	**54**	**60,352**	**17,446**

Analysis by type of portfolio

(€ '000s)

Portfolio	Gross amount 31/12/2014	Additions	Disposals	Transfers	Prem/Disc Amort.	Change in accrued interest	Impairment	Total 30/06/2015	Unrealized gains/(losses)
Transaction								-	
Held-for-sale		1,002,490	(407,496)	(74)	(103)	889	(143)	595,562	(110)
Investment	30,755	23,435		(5)	(103)	(215)		53,866	758
NET CARRYING AMOUNT	**30,755**	**1,025,925**	**(407,496)**	**(79)**	**(207)**	**673**	**(143)**	**649,428**	**648**
Of which Premium/Discount	964	5,927	(1,438)	(79)	(207)			5,166	

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 30/06/2015	Total 31/12/2014
Credit institutions							-	-
Loans and receivables							-	-
- demand	21,387						21,387	5,919
- time								-
Securities bought under repurchase agreements							-	-
TOTAL	**21,387**	**-**	**-**	**-**	**-**	**-**	**21,387**	**5,919**
Impairment								
NET CARRYING AMOUNT	**21,387**	**-**	**-**	**-**	**-**	**-**	**21,387**	**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 30/06/2015	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)	30/06/2015	31/12/2014
Short-term credit facilities		
Other loans	99,720	
Customers transactions before impairment charges	**99,720**	**-**
Impairment		
Net carrying amount	**99,720**	**-**
Of which related receivables	54	
Of which gross doubtful receivables		
Of which gross non-performing doubtful receivables		

Analysis by residual maturity excluding accrued interest

(€ '000s)

	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2015
Loans and advances to customers	500	5,321	25,925	67,921	**99,667**	**54**	**99,720**

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2014	Additions	Transfers	Disposals	Amort.	Other movements	30/06/2015
Intangible assets	**6,252**	**36**	**760**				**7,048**
Start-up costs	2,123						2,123
IT development costs	3,861		760				4,621
Web site	255	36					291
Software	14						14
Intangible assets in progress	**122**		**2,188**				**2,310**
Intangible assets amortisation	**(545)**				**(704)**		**(1,249)**
Net carrying amount	**5,829**	**36**	**2,948**	**-**	**(704)**	**-**	**8,109**

property, plant & equipment	31/12/2014						30/06/2015
Property, plant & equipment	660	69					728
Tangible assets in progress	3		(3)				
Amortissement des immobilisations corporelles	(14)				(43)		**(58)**
Net carrying amount	**649**	**69**	**(3)**		**(43)**		**671**

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2015	31/12/2014
Other assets		
Cash collateral paid	25,469	62
Other assets	913	1,474
Impairment		
Net carrying amount	**26,382**	**1,536**
Accruals		
Deferred charges on bond issues	3,951	
Deferred charges on hedging transactions		
Prepaid charges	212	26
Accrued interest not yet due on hedging transactions	718	
Other deferred income	103	
Other accruals	0	
TOTAL	**4,984**	**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 30/06/2015	Total 31/12/2014
Negotiable debt securities					-	-	-	-
Bonds				750,000	750,000	692	750,692	-
Other debt securities					-		-	-
TOTAL	**-**	**-**	**-**	**750,000**	**750,000**	**692**	**750,692**	**-**

Note 8 - DEBT SECURITIES

(€ '000s)	31/03/2015	31/12/2014
Other liabilities		
Cash collateral received		
Miscellaneous creditors	2,357	1,157
TOTAL	**2,357**	**1,157**
Comptes de régulation		
Transaction to pay and settlement accounts		
Unrealised gains on hedging instruments	3,470	
Unearned income		
Accrued expenses on hedging instruments	93	
Other accrued expenses		
Other accruals		
TOTAL	**3,563**	**-**

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2014	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 30/06/2015
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	3					3
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**3**	**-**	**-**	**-**	**-**	**3**

Note 10 - CHANGES IN EQUITY

(€ '000s)	Share capital	Legal reserve	Share premiums	Statutory reserve	Translation, revaluation	Translation, revaluation subsidies	Retained earnings	Net income	Total equity
Change in share capital	35,800								35,800
Change in share premium and reserves									0
Net income as of 31/12/2014								(8,046)	(8,046)
Other changes									0
Balance as of 31/12/2014	**35,800**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,046)**	**27,754**
Dividend paid for 2014									0
Change in share capital	33,200 (1)								33,200
Change in share premium and reserves									0
Allocation of 2014 net profit							(8,046)	8,046	0
Net income as of 30/06/2015								(6,887)	(6,887)
Other changes									0
Balance as of 30/06/2015	**69,000**	**-**	**-**	**-**	**-**	**-**	**(8,046)**	**(6,887)**	**54,067**

(1) Agence carried out two capital increases in the first half of 2015 for the benefit of the Territorial Company, its parent company. The first was subscribed 25 March 2015 to € 17.200k and the second July 4, 2015 for € 16.000k.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

(€ '000s)	30/06/2015				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
FIRM TRANSACTIONS	**1,185,767**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**1,185,767**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts	1,185,767							
FRA								
Cross Currency Swaps								
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 transaction as of 30/06/2015	1,183,667	(€ '000s)
Amount of macro-hedge transaction as of 30/06/2015	2,100	(€ '000s)

Notional amount by maturity

(€ '000s)	30/06/2015					
	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
FIRM TRANSACTIONS	**264,000**	**-**	**921,767**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts						
Other contracts						
Over-the-counter markets	**264,000**	**-**	**921,767**	**-**	**-**	**-**
Interest rate contracts	264,000		921,767			
FRA						
Cross Currency Swaps						
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)	30/06/2015	30/06/2014	31/12/2014
Interest and similar income	**1,286**	**128**	**425**
Due from banks			
Due from customers	161		
Bonds and other fixed income securities	189	128	425
from Held-for-sale securities	*(168)*		
from Investment securities	*357*	*128*	*425*
Income from interest rate instruments	936		
Other interest income			
Interest and similar expenses	**(1,319)**	**(22)**	**(63)**
Due to banks	(28)	(22)	(63)
Due to customers			
Debt securities	(831)		
Expense from interest rate instruments	(460)		
Other interest expenses			
Interest margin	**(34)**	**106**	**363**

Note 13 - Net fee and commission income

(€ '000s)	30/06/2015	30/06/2014	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 recieved			
Commission expenses	**(1,128)**	**(53)**	**(53)**
Interbank transactions	(0.04)	(53)	(53)
Securities transactions	(1,125)		
Forward financial instruments transactions	(3)		
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net fee and commission income	**(1,128)**	**(53)**	**(53)**

Note 14 - Other banking income and expenses

(€ '000s)	30/06/2015	30/06/2014	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)	30/06/2015	30/06/2014	31/12/2014
Gains/(losses) on Trading book			
Gains/(losses) on forward financial instruments	(10)		
Gains/(losses) on foreign currency transactions			
Gains or (losses) on trading portfolio	**(10)**	**-**	**-**
Gains/(losses) from disposal of held-for-sale securities	(8)		1
Other income/(expenses) from held-for-sale securities			
Impairment (charges) and reversals on held-for-sale securities	(143)		
Gains or (losses) on held-for-sale portfolio	**(151)**	**-**	**1**

Note 16 - General operating expenses

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Employee expenses			
Wages and salaries	1,430	480	1,359
Post-employment benefit expenses	149	49	142
Other expenses	513	219	485
Total Employee expenses	**2,091**	**748**	**1,986**
Operating expenses			
Taxes and duties	53	6	19
External services	7,344	6,462	12,233
Total Administrative expenses	**7,398**	**6,468**	**12,252**
Charge-backs and reclassification of administrative expenses	(3,547)	(3,193)	(6,440)
Total General operating expenses	**5,942**	**4,023**	**7,798**

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Agence France Locale S.A.

Statutory Auditors' Review Report

on the half-yearly financial information

For the six-month period ended June 30, 2015
Agence France Locale S.A.
Tour Oxygène - 10-12, boulevard Vivier Merle - 69393 Lyon cedex 03
This report contains 22 pages

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Cailliau Dedouit et Associés

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Agence France Locale S.A.

Siège social : Tour Oxygène - 10-12, boulevard Vivier Merle - 69393 Lyon cedex 03
Capital social : €.69 000 000

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the six-month period ended June 30, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly financial statements of Agence France Locale – S.A. for the six-months period ended June 30, 2015,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the company as at June 30, 2015, and of the results of its operations for the six-month period then ended, in accordance with the accounting rules and principles applicable in France.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly financial statements.

Paris La Défense, September 29, 2015	Paris, September 29, 2015
KPMG Audit FS I	Cailliau Dedouit et Associés
Fabrice Odent Associé	Lauren Brun Associé

AGENCE FRANCE LOCALE
French société anonyme governed by an executive board and a supervisory board with a share capital 69,000,000 euros
Corporate seat in : Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon
799 379 649 RCS Lyon

CERTIFICATION BY THE PERSON ASSUMING RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL

«I hereby certify that, to the best of my knowledge, the condensed interim consolidated financial statements have been prepared in accordance with applicable standards and give a true and fair picture of the assets and liabilities, financial position and results of Agence France Locale, and that the management report offers a true and fair picture of significant events for the first six months of the 2015 fiscal year, their impact on the financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year».

Lyon, 25 September 2015

Yves MILLARDET
Chairman of the Board