

**Agence France  
Locale – Société  
territoriale**

**Consolidated  
accounts for the  
period from  
January 1, 2021 to  
June 30, 2021**



*Agence France Locale - Société  
Territoriale*

***Statutory Auditors' Review Report  
on the interim consolidated condensed financial  
statements***

For the six-month period ended June 30, 2021  
Agence France Locale - Société Territoriale  
42 Quai d'Orsay - 75007 Paris

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

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## **Agence France Locale - Société Territoriale**

Registered office: 42 Quai d'Orsay - 75007 Paris  
Share capital: € 199 685 000

### **Statutory Auditors' Review Report on the interim consolidated condensed financial statements**

For the six-month period ended June 30, 2021

To the Managing Director,

In our capacity as Statutory Auditors of Agence France Locale - Société Territoriale and in answer to your request made in the context of your willingness to produce an extended financial information to investors, we conducted a review of the accompanying interim consolidated condensed financial statements of Agence France Locale - Société Territoriale prepared in compliance with IFRS (International Financial Reporting Standards) as adopted by the European Union, for the period from January 1, 2021 to June 30, 2021.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

These interim consolidated condensed financial statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these interim consolidated condensed financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement. 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 interim consolidated condensed financial statements as at June 30, 2021 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.

This report is governed by 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 27<sup>th</sup>, 2021

Signatory's city, September 27<sup>th</sup>, 2021

KPMG S.A.

Office name

*Partner*

Laurent Brun  
*Partner*

## Agence France Locale - Société Territoriale

### Consolidated accounts (IFRS GAAP) BALANCE SHEET

#### Assets as of June 30, 2021

(€ '000s)	Notes	30/06/2021	31/12/2020
Cash, central banks	5	1,134,267	601,746
Financial assets at fair value through profit or loss	1	15,828	20,000
Hedging derivative instruments	2	166,550	211,916
Financial assets at fair value through other comprehensive income	3	788,406	614,697
Securities at amortized cost	4	193,351	171,174
Loans and receivables due from credit institutions and similar items at amortized cost	5	223,639	249,002
Loans and receivables due from customers at amortized cost	6	3,932,525	3,831,563
Revaluation adjustment on interest rate risk-hedged portfolios		12,701	26,697
Current tax assets		16	34
Deferred tax assets	7	5,283	5,422
Accruals and other assets	8	841	515
Intangible assets	9	2,695	2,305
Property, plant and equipment	9	2,752	2,658
Goodwill			
<b>TOTAL ASSETS</b>		<b>6,478,855</b>	<b>5,737,728</b>

#### Liabilities as of June 30, 2021

(€ '000s)	Notes	30/06/2021	31/12/2020
Central banks		202	142
Financial liabilities at fair value through profit or loss	1	15,792	20,182
Hedging derivative instruments	2	221,325	251,365
Debt securities	10	6,052,310	5,295,982
Due to credit institutions	11	1,416	8,271
Due to customers			
Revaluation adjustment on interest rate hedged portfolios			
Current tax liabilities			
Deferred tax liabilities	7	264	248
Accruals and other liabilities	12	4,422	3,325
Provisions	13	243	245
<b>Equity</b>		<b>182,882</b>	<b>157,968</b>
<b>Equity, Group share</b>		<b>182,882</b>	<b>157,968</b>
Share capital and reserves		199,685	176,664
Consolidated reserves		(19,108)	(21,404)
Reevaluation reserve			
Gains and losses recognised directly in equity		535	412
Profit (loss) for the period		1,769	2,296
<b>Non-controlling interests</b>			
<b>TOTAL LIABILITIES</b>		<b>6,478,855</b>	<b>5,737,728</b>

## Income statement

(€ '000s)	Notes	30/06/2021	30/06/2020	31/12/2020
Interest and similar income	14	16,396	12,780	25,862
Interest and similar expenses	14	(10,019)	(6,481)	(14,032)
Fee & Commission Income	15	87	75	186
Fee & Commission Expense	15	(244)	(67)	(264)
Net gains (losses) on financial instruments at fair value through profit or loss	16	(1,978)	(623)	(6,804)
Net gains or losses on financial instruments at fair value through other comprehensive income	17	2,027	425	5,596
Net gains and losses on derecognition of financial assets at amortised cost	18	2,154		3,244
Income on other activities				
Expenses on other activities				
<b>NET BANKING INCOME</b>		<b>8,423</b>	<b>6,109</b>	<b>13,789</b>
Operating expenses	19	(5,755)	(4,971)	(9,809)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(413)	(838)	(1,464)
<b>GROSS OPERATING INCOME</b>		<b>2,255</b>	<b>300</b>	<b>2,515</b>
Cost of risk	20	(273)	(455)	(355)
<b>OPERATING INCOME</b>		<b>1,982</b>	<b>(155)</b>	<b>2,160</b>
Net gains and losses on other assets	21		(21)	(21)
<b>INCOME BEFORE TAX</b>		<b>1,982</b>	<b>(176)</b>	<b>2,140</b>
Income tax	22	(213)	152	156
<b>NET INCOME</b>		<b>1,769</b>	<b>(24)</b>	<b>2,296</b>
Non-controlling interests				
<b>NET INCOME GROUP SHARE</b>		<b>1,769</b>	<b>(24)</b>	<b>2,296</b>
Basic earnings per share (in EUR)		0.89	(0.02)	1.30
Diluted earnings per share (in EUR)		0.89	(0.02)	1.30

### Net income and other comprehensive income

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
<b>Net income</b>	<b>1,769</b>	<b>(24)</b>	<b>2,296</b>
<b>Items will be reclassified subsequently to profit or loss</b>	<b>264</b>	<b>(1,685)</b>	<b>1,235</b>
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	266	(2,303)	1,604
Other items recognized through other comprehensive income recyclable to income			
Related taxes	(3)	618	(369)
<b>Elements not recyclable in profit or loss</b>	<b>(141)</b>	<b>(248)</b>	<b>744</b>
Revaluation in respect of defined benefit plans			
Revaluation of financial assets at fair value through to equity	(188)	(331)	991
Other items recognized through other comprehensive income not recyclable to income			
Related taxes	47	83	(248)
<b>Total gains and losses recognized directly in equity</b>	<b>123</b>	<b>(1,933)</b>	<b>1,979</b>
<b>COMPREHENSIVE INCOME</b>	<b>1,892</b>	<b>(1,957)</b>	<b>4,275</b>

## Consolidated statement of changes in equity

	Capital	Associated reserves to capital	Consolidated reserves	Gains and losses recognized directly in comprehensive income				Net income, Group share	Share-holders' equity - Group share	Share-holders' equity, non-controlling interests	Total share-holders equity
				Recyclable		Not recyclable					
				Net change in fair value of Financial assets at fair value through other comprehensive income, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Revaluation in respect of defined benefit plans	Other items recognized through other comprehensive income not recyclable to income				
(€ '000s)											
<b>Shareholders' equity at 1 January 2020</b>	<b>154,460</b>	-	<b>(20,218)</b>	<b>(1,566)</b>	-	-	-	<b>(1,186)</b>	<b>131,490</b>	-	<b>131,490</b>
Increase in share capital	22,204								22,204		22,204
Elimination of treasury shares											
Allocation of profit 2019			(1,186)					1,186			
Dividends 2019 paid											
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>22,204</b>	-	<b>(1,186)</b>	-	-	-	-	<b>1,186</b>	<b>22,204</b>	-	<b>22,204</b>
Changes in fair value through equity				953					953		953
Change in value of through profit or loss				651					651		651
Revaluation of financial assets at fair value through not recyclable equity							991		991		991
Changes in actuarial gains on retirement benefits											
Related taxes				(369)			(248)		(616)		(616)
<b>Changes in gains and losses recognized directly in equity</b>	-	-	-	<b>1,235</b>	-	-	<b>744</b>	-	<b>1,979</b>	-	<b>1,979</b>
2020 Net income								2,296	2,296		2,296
<b>Sub-total</b>	-	-	-	<b>1,235</b>	-	-	<b>744</b>	<b>2,296</b>	<b>4,275</b>	-	<b>4,275</b>
Effect of acquisitions and disposals on non-controlling interests											
<b>Shareholders' equity at 31 December 2020</b>	<b>176,664</b>	-	<b>(21,404)</b>	<b>(331)</b>	-	-	<b>744</b>	<b>2,296</b>	<b>157,968</b>	-	<b>157,968</b>
Increase in share capital	23,021 <sup>(1)</sup>								23,021		23,021
Elimination of treasury shares											
Allocation of profit 2020			2,296					(2,296)			
Dividends 2020 paid											
<b>Sub-total of changes linked to transactions with shareholders</b>	<b>23,021</b>	-	<b>2,296</b>	-	-	-	-	<b>(2,296)</b>	<b>23,021</b>	-	<b>23,021</b>
Changes in fair value through equity				(33)					(33)		(33)
Change in value of through profit or loss				299					299		299
Revaluation of financial assets at fair value through not recyclable equity							(188)		(188)		(188)
Changes in actuarial gains on retirement benefits											
Related taxes				(3)			47		44		44
<b>Changes in gains and losses recognized directly in equity</b>	-	-	-	<b>264</b>	-	-	<b>(141)</b>	-	<b>123</b>	-	<b>123</b>
30 June 2021 Net income								1,769	1,769		1,769
<b>Sub-total</b>	-	-	-	<b>264</b>	-	-	<b>(141)</b>	<b>1,769</b>	<b>1,892</b>	-	<b>1,892</b>
Effect of acquisitions and disposals on non-controlling interests											
<b>Shareholders' equity at 30 June 2021</b>	<b>199,685</b>	-	<b>(19,108)</b>	<b>(67)</b>	-	-	<b>603</b>	<b>1,769</b>	<b>182,882</b>	-	<b>182,882</b>

(1) The share capital of Agence France Locale - Société Territoriale which amounts on 30 of June, 2021 to € 199,685,000 consists of 1,996,850 shares. The Company carried out four capital increases during the first year-half 2021 subscribed on 23rd March 2021 to € 9,693K and on 24th June 2021 for € 13,328K.



## Cash flow statement

(€ '000s)	30/06/2021	31/12/2020
<b>Net income before taxes</b>	<b>1,982</b>	<b>2,140</b>
+/- Net depreciation and amortisation of tangible and intangible non-current assets	413	1,464
+/- Net provisions and impairment charges	273	190
+/- Expense/income from investing activities	(1,145)	(6,461)
+/- Expense/income from financing activities	339	605
+/- Other non-cash items	(3,089)	3,216
<b>= Non-monetary items included in net income before tax and other adjustments</b>	<b>(3,209)</b>	<b>(986)</b>
+/- Cash from interbank operations		
+/- Cash from customer operations	(186,429)	(600,773)
+/- Cash from financing assets and liabilities	19,822	(1,450)
+/- Cash from not financing assets and liabilities	(6,093)	3,689
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(172,700)	(598,534)
<b>= CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(173,927)</b>	<b>(597,380)</b>
+/- Flows linked to financial assets and investments	(205,925)	(122,088)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(747)	(1,523)
<b>= CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(206,672)</b>	<b>(123,611)</b>
+/- Cash from or for shareholders	23,520	22,541
+/- Other cash from financing activities	859,808	1,201,862
<b>= CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>883,328</b>	<b>1,224,402</b>
<b>EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)</b>		
<b>Increase/(decrease) in cash equivalents (A + B+ C + D)</b>	<b>502,729</b>	<b>503,411</b>
Cash flow from operating activities (A)	(173,927)	(597,380)
Cash flow from investing activities (B)	(206,672)	(123,611)
Cash flow from financing activities (C)	883,328	1,224,402
Effect of changes in exchange rates on cash and cash equivalents (D)		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>685,628</b>	<b>182,217</b>
Cash and balances with central banks (assets & liabilities)	601,780	165,609
Interbank accounts (assets & liabilities) and loans/deposits at sight	83,848	16,607
<b>Cash and cash equivalents at the end of the period</b>	<b>1,188,357</b>	<b>685,628</b>
Cash and balances with central banks (assets & liabilities)	1,134,333	601,780
Interbank accounts (assets & liabilities) and loans/deposits at sight	54,024	83,848
<b>CHANGE IN NET CASH</b>	<b>502,729</b>	<b>503,411</b>

NOTES TO THE YEAR END FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

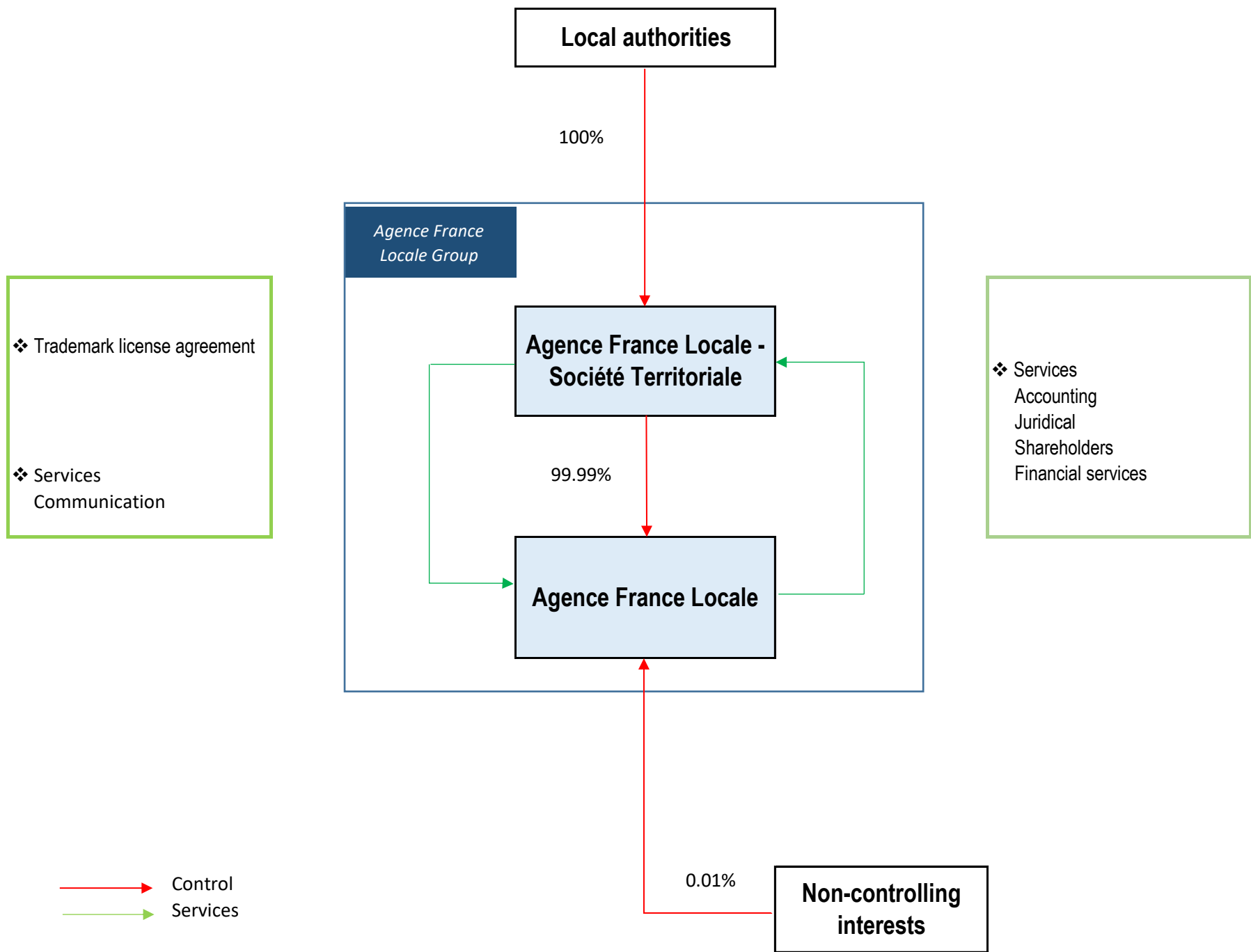
General framework

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 a Board of Directors whose shareholders are comprised exclusively of Communities that the membership of the Group AFL. The AFL ST is the parent company of the Agence. Agence is a limited company with an Executive Board and a Supervisory Board.

The diagram below shows the structure of the AFL group:



## I - Publication context

The half-year financial statements were approved by the Board of Directors as of September 13, 2021.

## II - Highlights from the first half year

The first half of 2021 is in line with the Company's development trajectory in accordance with the objectives of the 2017-2021 strategic plan. Production over the period with member local authorities amounted to € 288.7 million compared to € 247.5 million during the first half of 2020.

In the first half of 2021, AFL-ST, pursuing its corporate purpose, saw its capital increase by € 23 million as part of two capital increases, thus bringing the AFL-ST's share capital to € 176.7 million on January 1, 2021 to € 199.7 million on June 30, 2021. The AFL Group now has 453 members, including 42 new communities, who joined the AFL Group during the past semester.

On January 14, 2021, AFL carried out a new benchmark issue for an amount of € 500 million maturing 03/20/2031 under excellent conditions. This seventh benchmark issue, since the creation of the AFL, has met with unprecedented success with a request of more than € 2.2 billion by nearly 90 investors. The securities were placed with a margin of 31 basis points against the government bond curve (OAT).

Net banking income generated by the activity stands at € 8,423K. It corresponds to an interest margin of € 6,378K, to € 608K of capital gains on the sale of OCI investment securities after taking into account the result of termination of the hedging relationship which relate to the management of the liquidity reserve, capital gains on loan disposals of € 1,381K net of the compensation for termination of hedging swaps and commissions, and positive result of revaluations of hedges of € 44K.

These results should be compared with those of the first half of 2020 at the end of which the NBI amounted to € 6,109K, corresponding mainly to a net interest margin of € 6,299K, to capital gains on the sale of securities of € 83K, to commission charges of € 8K and a negative hedge revaluation result of € 281K.

The interest margin of € 6,378K, realized on June 30, 2021, experienced a significant change in its composition with the arrival of negative interest rates and in particular the fall in the 3-month Euribor rate against which the largest AFL exposures are swapped. Thus during the period under review, the yield of part of the loans became negative, due to the continued decline of the 3-month Euribor into negative territory, leading to a contraction of income linked to the loan portfolio to € 1,987K once their cover is withdrawn, compared to € 3,741K on June 30, 2020. However, this contraction is only apparent because the outstanding credit continues to increase with a constant credit margin against the cost debt. This contraction should be compared with the sharp increase in income from debts on the balance sheet, which are swapped against 3-month Euribor and which amounted to € 8,692K on June 30, 2021, compared to € 4,139K on June 30, 2020, after taking into account interest on hedges. The fall in rates leads to a reversal of flows, charges becoming income and income becoming charges. As regards the income linked to the management of the liquidity reserve, they constitute an interest charge of € -4,301K, compared to the amount of € -1,581K at June 30, 2020. This deterioration is due to the increase in the amount of the liquidity reserve and above all in the continued reduction of the 3-month Euribor rate into negative territory.

During the first half of the year, portfolio management of the liquidity reserve generated € 2,027K of income on the sale of securities at fair value by OCI and € 1,417K in charges on termination of interest rate hedging instruments interest on securities that have been sold, ie a net amount of capital gains on disposals of € 600K. To this amount should be added € 8k of capital gain on the sale of securities at amortized cost.

The net result of hedge accounting amounts to € -1,979K. It comes from two items. First of all, it comes first of all from termination of interest rate hedges linked to the disposals of securities and loans mentioned above for € -1,426K and € -597K € respectively, i.e. a total of € -2,023K and secondly € 44K which represents, for instruments still in portfolio at the reporting date, the sum related to unrealized valuation differences between hedged items and hedging instruments. Among these differences, € -230K relate to valuation differential charges on instruments classified as macro-hedges and € 247K of products relate to valuations of instruments classified as micro-hedges. There are still unrealized differences in valuations between the hedged items and the hedging instruments, one of the components of which comes from an accounting practice that leads to an asymmetry in the valuation, on the one hand, of hedging instruments collateralised daily, discounted on the basis of an Eonia curve, and, on the other, of hedged items, discounted on the basis of a Euribor curve, which, pursuant to IFRS standards, leads to the recognition of a hedging ineffectiveness that is recorded in the income statement. However, it should be noted that this corresponds to unrealized income.

As of June 30, 2021, general operating expenses represented € 5,755K compared to € 4,971K as of June 30, 2020. They account for € 2,873K in personnel costs compared to € 2,607K for the first semester of the previous year. General operating expenses also include administrative expenses, which amount to € 2,882K compared to € 2,364K as of June 30, 2020. In this regard, we note the increase in taxes, which went from € 575K on June 30, 2020 to € 652K on June 30, 2021, mainly due to the increase in contributions to regulatory authorities.

Depreciation charges at June 30, 2021 amounted to € 413K compared to € 838K at June 30, 2020, i.e. a decrease of € 426K. In fact, in 2020 the AFL had completed amortization all investments made in its creation, particularly in information systems and which were necessary to start its activities.

After depreciation and amortization, gross operating income at June 30, 2021 stood at € 2,255K compared to € 300K for the first half of the previous year.

The cost of risk relating to ex ante depreciations for expected credit losses (ECL) on financial assets under IFRS 9 represents a charge of € 273K over the first half of 2021 compared to € 455K in the first half of 2020. This decrease mainly comes from the modification of the assumptions used for the construction of the macroeconomic scenarios by asset class in order to take into account a context of exiting the COVID crisis. The stock of impairments stood at € 1,055K as of June 30, 2021.

After deducting the cost of risk resulting from the application of IFRS 9, the operating income stands at € 1,982K, June 30, 2021, compared to € -155K at June 30, 2020. Finally after taking into account the deferred taxes on temporary differences, the net result amounts to € 1,769K compared to € -24K at June 30, 2020.

## Subsequent events

No significant subsequent events occurred on the beginning of the second half 2021 after the accounts closure date has to be reported.

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

The condensed interim consolidated financial statements for the half-year ended June 30, 2021 were prepared in accordance with IAS 34, Interim financial reporting which 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 as the closing date, 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.

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.

### **IV - Accounting principles**

#### **Application of IFRS basis**

In accordance with IFRS 1 "First-time Adoption of IFRS" and pursuant to European Regulation 1606/2002 of July 19, 2002, the financial statements for first year-half 2019 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 format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (Autorité des normes comptables).

#### **Accounting principles applied to the financial statements**

The accounting principles and methods used to prepare the interim financial statements are identical to those applied at 31 December 2020.

## V - Notes to the Balance Sheet

### Note 1 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	30/06/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
Financial assets held for trading	15,828	15,792	20,000	20,182
Financial assets at fair value option through profit or loss				
<b>Total financial assets at fair value through profit or loss</b>	<b>15,828</b>	<b>15,792</b>	<b>20,000</b>	<b>20,182</b>

#### Financial assets held for trading

(€ '000s)	30/06/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	15,828	15,792	20,000	20,182
<b>Total Financial assets held for trading</b>	<b>15,828</b>	<b>15,792</b>	<b>20,000</b>	<b>20,182</b>

(€ '000s)	30/06/2021				31/12/2020			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
<b>FIRM TRANSACTIONS</b>	<b>523,049</b>	<b>523,049</b>	<b>15,828</b>	<b>15,792</b>	<b>451,940</b>	<b>451,940</b>	<b>20,000</b>	<b>20,182</b>
<b>Organised markets</b>	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
<b>Over-the-counter markets</b>	<b>523,049</b>	<b>523,049</b>	<b>15,828</b>	<b>15,792</b>	<b>451,940</b>	<b>451,940</b>	<b>20,000</b>	<b>20,182</b>
Interest rate contracts	523,049	523,049	15,828	15,792	451,940	451,940	20,000	20,182
FRA								
Cross Currency Swaps								
Other contracts								
<b>CONDITIONAL TRANSACTIONS</b>	-	-	-	-	-	-	-	-
<b>Organised markets</b>	-	-	-	-	-	-	-	-
<b>Over-the-counter markets</b>	-	-	-	-	-	-	-	-

Derivatives classified as financial assets held for transaction purposes do not constitute interest rate positions taken with a view to drawing short-term profits. They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position which have been neutralised by fixed-rate lender derivatives. These contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable. The positions presented in the table above do not entail any kind of residual interest rate risk, the fair value difference is only the result of payable or receivable cash flows.

## Note 2 - HEDGING DERIVATIVES

### Analysis by type of hedge

	30/06/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
(€ '000s)				
Derivatives designated as fair value hedges	158,363	199,780	207,981	220,174
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	8,187	21,545	3,936	31,191
<b>Total Hedging derivatives</b>	<b>166,550</b>	<b>221,325</b>	<b>211,916</b>	<b>251,365</b>

### Detail of derivatives designated as fair value hedges

	30/06/2021				31/12/2020			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
(€ '000s)								
<b>FIRM TRANSACTIONS</b>	<b>5,951,375</b>	<b>4,150,039</b>	<b>158,363</b>	<b>199,780</b>	<b>4,961,649</b>	<b>3,838,625</b>	<b>207,981</b>	<b>220,174</b>
<b>Organised markets</b>	-	-	-	-	-	-	-	-
<b>Over-the-counter markets</b>	<b>5,951,375</b>	<b>4,150,039</b>	<b>158,363</b>	<b>199,780</b>	<b>4,961,649</b>	<b>3,838,625</b>	<b>207,981</b>	<b>220,174</b>
Interest rate contracts	5,552,111	4,076,160	149,783	190,541	4,780,000	3,693,167	194,277	214,901
FRA								
Cross Currency Swaps	399,264	73,879	8,579	9,239	181,649	145,458	13,704	5,273
Other contracts								
<b>CONDITIONAL TRANSACTIONS</b>	-	-	-	-	-	-	-	-
<b>Organised markets</b>	-	-	-	-	-	-	-	-
<b>Over-the-counter markets</b>	-	-	-	-	-	-	-	-

### Detail of derivatives designated as interest rate hedged portfolios

	30/06/2021				31/12/2020			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
(€ '000s)								
<b>FIRM TRANSACTIONS</b>	<b>155,360</b>	<b>689,341</b>	<b>8,187</b>	<b>21,545</b>	<b>98,160</b>	<b>613,470</b>	<b>3,936</b>	<b>31,191</b>
<b>Organised markets</b>	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
<b>Over-the-counter markets</b>	<b>155,360</b>	<b>689,341</b>	<b>8,187</b>	<b>21,545</b>	<b>98,160</b>	<b>613,470</b>	<b>3,936</b>	<b>31,191</b>
Interest rate contracts	155,360	689,341	8,187	21,545	98,160	613,470	3,936	31,191
FRA								
Cross Currency Swaps								
Other contracts								
<b>CONDITIONAL TRANSACTIONS</b>	-	-	-	-	-	-	-	-
<b>Organised markets</b>	-	-	-	-	-	-	-	-
<b>Over-the-counter markets</b>	-	-	-	-	-	-	-	-

## PORTFOLIO

### Note 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2021	31/12/2020
Government paper and similar securities	788,406	614,697
Bonds		
Other fixed income securities		
<b>Net amount in balance sheet</b>	<b>788,406</b>	<b>614,697</b>
Including depreciation	(630)	(374)
Including net unrealised gains and losses	6,649	14,424

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
<b>Expected losses as of 31st December 2020</b>	<b>(374)</b>	-	-	-
<i>Transfers from 12-month to maturity</i>				
<i>Transfers from maturity to 12-month</i>				
<i>Transfers from expected to incurred losses</i>				
<b>Total transfer movement</b>	-	-	-	-
<b>Movement attributable to financial instruments recognized over the period</b>	<b>(256)</b>	-	-	-
<i>Acquisitions</i>	(377)			
<i>Re-estimate of parameters</i>	11			
<i>Bad debts written off</i>				
<i>On sales</i>	110			
<b>Expected losses as of 30th June 2021</b>	<b>(630)</b>	-	-	-

#### Fixed-income securities - Analysis by counterparty

(€ '000s)	30/06/2021	31/12/2020
Local public sector	635,839	599,801
Financial institutions and other financial corporations	133,175	14,896
Non-financial corporations	19,391	-
<b>Net amount in balance sheet</b>	<b>788,406</b>	<b>614,697</b>

Fixed income securities held on Financial institutions include € 69,043K of securities guaranteed by States of the European Economic Area.

#### Changes in Financial assets at fair value through other comprehensive income

(€ '000s)	Total amount as of 31/12/2020	Additions	Disposals	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 30/06/2021
Government paper and similar securities	614,697	552,618	(372,593)	(6,029)	1,217	(1,503)	788,406
Bonds	-	-	-	-	-	-	-
Other fixed income securities	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>614,697</b>	<b>552,618</b>	<b>(372,593)</b>	<b>(6,029)</b>	<b>1,217</b>	<b>(1,503)</b>	<b>788,406</b>

#### Note 4 - SECURITIES AT AMORTIZED COST

##### Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2021	31/12/2020
Government paper and similar securities	183,286	160,592
Bonds	10,065	10,582
Other fixed income securities		
<b>Net amount in balance sheet</b>	<b>193,351</b>	<b>171,174</b>
Including expected credit losses on debt instruments	(192)	(181)

Expected credit losses on securities at amortized cost	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
<b>Expected losses as of 31st December 2020</b>	(181)	-	-	-
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
<b>Total des mouvements de transfert</b>	-	-	-	-
<b>Movement attributable to financial instruments recognized over the period</b>	(11)	-	-	-
Acquisitions	(60)			
Re-estimate of parameters	15			
Bad debts written off				
On sales	34			
<b>Expected losses as of 30th June 2021</b>	<b>(192)</b>	-	-	-

##### Fixed-income securities - Analysis by counterparty

(€ '000s)	30/06/2021	31/12/2020
Local public sector	171,149	148,888
Financial institutions and other financial corporations	22,202	22,285
Non-financial corporations		
<b>Net amount in balance sheet</b>	<b>193,351</b>	<b>171,174</b>

Fixed income securities held on Financial institutions include € 8,123K of securities guaranteed by States of the European Economic Area.

##### Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2020	Additions	Disposals	Other movements	Interest rate Reevaluation	Change in accrued interest	Prem/Disc Amort.	Expected credit losses change	Total 30/06/2021
Government paper and similar securities	160,592	54,575	(30,191)	510	(2,306)	600	(475)	(18)	183,286
Bonds	10,582	-	-	(510)	(37)	-	22	7	10,065
Other fixed income securities	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>171,174</b>	<b>54,575</b>	<b>(30,191)</b>	<b>-</b>	<b>(2,343)</b>	<b>600</b>	<b>(453)</b>	<b>(11)</b>	<b>193,351</b>

#### Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

##### Accounts with central banks

(€ '000s)	30/06/2021	31/12/2020
Mandatory reserve deposits with central banks	1,134,333	601,780
Other deposits		
<b>Cash and central banks</b>	<b>1,134,333</b>	<b>601,780</b>
Impairment	(66)	(35)
<b>Net amount in balance sheet</b>	<b>1,134,267</b>	<b>601,746</b>



## Receivables on credit institutions

(€ '000s)	30/06/2021	31/12/2020
Loans and receivables		
- on demand and short notice	54,024	83,848
- term	115,348	115,253
Cash collateral paid	54,296	49,954
Securities bought under repurchase agreements		
<b>TOTAL</b>	<b>223,669</b>	<b>249,054</b>
Impairment for expected losses	(30)	(52)
<b>NET CARRYING AMOUNT</b>	<b>223,639</b>	<b>249,002</b>

## Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2021	31/12/2020
Short-term credit facilities	9,118	9,265
Other loans	3,923,539	3,822,430
<b>Customers transactions before impairment charges</b>	<b>3,932,657</b>	<b>3,831,695</b>
Impairment	(132)	(132)
<b>Net carrying amount</b>	<b>3,932,525</b>	<b>3,831,563</b>
<i>Of which individual impairment</i>	(132)	(132)
<i>Of which collective impairment</i>		

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
<b>Expected losses as of 31st December 2020</b>	<b>(211)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
<i>Transfers from 12-month to maturity</i>	0.4	(0.4)		
<i>Transfers from maturity to 12-month</i>	(4)	4		
<i>Transfers from expected to incurred losses</i>				
<b>Total transfer movement</b>	<b>(4)</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>Movement attributable to financial instruments recognized over the period</b>	<b>(3)</b>	<b>(4)</b>	<b>-</b>	<b>-</b>
<i>Production and acquisition</i>	(23)	(2)		
<i>Re-estimate of parameters</i>	14	(3)		
<i>Bad debts written off</i>				
<i>Repayments</i>	6	0.2		
<b>Expected losses as of 30th June 2021</b>	<b>(218)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>

**SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS**

(€ '000s)	31/12/2020	Depreciation charges	Reversals amounts not used	Net charge	Utilised	30/06/2021
<b>Financial assets at fair value through other comprehensive income</b>						
<i>Depreciations on performing assets</i>	374	366	(110)	256		630
<i>Depreciations on non-performing assets</i>						-
<i>Depreciations on doubtful assets</i>						-
<b>Total</b>	<b>374</b>	<b>366</b>	<b>(110)</b>	<b>256</b>		<b>630</b>
<b>Financial assets at amortized cost</b>						
<i>Depreciations on performing assets</i>	391	54	(37)	18		409
<i>Depreciations on non-performing assets</i>	9	4	(4)	0.3		9
<i>Depreciations on doubtful assets</i>						-
<b>Total</b>	<b>400</b>	<b>59</b>	<b>(41)</b>	<b>18</b>		<b>418</b>

**CLASSIFICATION OF FINANCIAL ASSETS BY RISK LEVEL**

(€ '000s)	Gross amount			Depreciation			Net Amount
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	
Accounts with central banks	1,134,333			(66)			1,134,267
Financial assets at fair value through other comprehensive income	789,037			(630)			788,406
Securities at amortized cost	193,542			(192)			193,351
Loans and receivables due from credit institutions at amortized cost	223,669			(30)			223,639
Loans and receivables due from customers at amortized cost	3,915,226	13,489	3,942	(123)	(6)	(2)	3,932,525

## Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	30/06/2021	31/12/2020
<b>Net asset as at 1st of january</b>	<b>5,174</b>	<b>5,636</b>
Of which deferred tax assets	5,422	5,654
Of which deferred tax liabilities	248	18
<b>Recognised in income statement</b>	<b>(199)</b>	<b>154</b>
Income statement (charge) / credit	(199)	154
<b>Recognised in equity</b>	<b>44</b>	<b>(616)</b>
Financial assets at fair value through other comprehensive income	(3)	(369)
Cash flow hedges	47	(248)
Other		
<b>Net asset as at</b>	<b>5,019</b>	<b>5,174</b>
Of which deferred tax assets	5,283	5,422
Of which deferred tax liabilities	264	248

Deferred tax are attributable to the following items:

(€ '000s)	30/06/2021	31/12/2020
Financial assets at fair value through other comprehensive income	233	235
Cash flow hedges		
Losses carried forward	5,051	5,051
Other temporary differences		136
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>5,283</b>	<b>5,422</b>

(€ '000s)	30/06/2021	31/12/2020
Financial assets at fair value through other comprehensive income		
Cash flow hedges	201	248
Other temporary differences	63	
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>264</b>	<b>248</b>

## Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2021	31/12/2020
<b>Other assets</b>		
Deposits	70	70
Other assets	256	129
Impairment		
<b>Total</b>	<b>326</b>	<b>199</b>
<b>Accruals</b>		
Prepaid charges	502	221
Other deferred income		19
Transaction to receive and settlement accounts		58
Other accruals	13	19
<b>Total</b>	<b>515</b>	<b>316</b>
<b>TOTAL OTHER ASSETS AND ACCRUALS</b>	<b>841</b>	<b>515</b>

## Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2020	Additions	Transfers	Disposals	Amort. and provisions	Other	30/06/2021
<b>Intangible fixed assets</b>							
IT development costs	10,963	690				455	12,108
Other intangible assets	162						162
Intangible assets in progress	510	40				(455)	95
<b>Intangible fixed assets gross amount</b>	<b>11,635</b>	<b>730</b>	-	-	-	-	<b>12,366</b>
Depreciation and allowances - Intangible fixed assets	(9,331)				(340)		(9,670)
<b>Intangible fixed assets net carrying amount</b>	<b>2,305</b>	<b>730</b>	-	-	<b>(340)</b>	-	<b>2,695</b>

Tangible fixed assets	31/12/2020	Additions	Transfers	Disposals	Amort. and provisions	Other	30/06/2021
Commercial leases	76					151	227
Property, plant & equipment	3,508	17					3,524
<b>Tangible fixed assets gross amount</b>	<b>3,584</b>	<b>17</b>	-	-	-	<b>151</b>	<b>3,751</b>
Depreciation and allowances - Tangible fixed assets	(926)				(73)		(999)
<b>Tangible fixed assets net carrying amount</b>	<b>2,658</b>	<b>17</b>	-	-	<b>(73)</b>	<b>151</b>	<b>2,752</b>

## Note 10 - DEBT SECURITIES

(€ '000s)

	30/06/2021	31/12/2020
Negotiable debt securities	138,841	140,071
Bonds	5,913,469	5,155,912
Other debt securities		
<b>TOTAL</b>	<b>6,052,310</b>	<b>5,295,982</b>

## NOTE 11 - DUE TO CREDIT INSTITUTIONS

(€ '000s)

	30/06/2021	31/12/2020
Loans and receivables		
- on demand and short notice	16	24
- term		
Cash collateral paid	1,400	8,247
Securities bought under repurchase agreements		
<b>TOTAL</b>	<b>1,416</b>	<b>8,271</b>

## Note 12 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)

	30/06/2021	31/12/2020
<b>Other liabilities</b>		
Miscellaneous creditors	3,235	2,453
<b>Total</b>	<b>3,235</b>	<b>2,453</b>
<b>Accruals</b>		
Transaction to pay and settlement accounts	318	
Other accrued expenses	842	844
Unearned income		
Other accruals	26	28
<b>Total</b>	<b>1,187</b>	<b>872</b>
<b>TOTAL ACCRUALS AND OTHER LIABILITIES</b>	<b>4,422</b>	<b>3,325</b>

## Note 13 - PROVISIONS

(€ '000s)	Balance as of 31/12/2020	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 30/06/2021
<b>Provisions</b>						
Financing commitment execution risks	7	5		(7)		5
Provisions for litigations						
Provisions for employee retirement and similar benefits	75					75
Provisions for other liabilities to employees						
Other provisions	162					162
<b>TOTAL</b>	<b>245</b>	<b>5</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>243</b>

## OFF-BALANCE SHEET

(€ '000s)	30/06/2021	31/12/2020
<b>Commitments given</b>	<b>372,819</b>	<b>457,583</b>
Financing commitments	314,853	398,775
<i>For credit institutions</i>		
<i>For customers</i>	314,853	398,775
Guarantee commitments	57,966	58,808
<i>For credit institutions</i>		
<i>For customers</i>	57,966	58,808
Commitments on securities		
<i>Securities to be delivered to the issuance</i>		
<i>Other securities to be delivered</i>		
<b>Commitments received</b>	<b>2,155</b>	<b>2,219</b>
Financing commitments		
<i>From credit institutions</i>		
Guarantee commitments	2,155	2,219
<i>From credit institutions</i>		
<i>From customers</i>	2,155	2,219
Commitments on securities		
<i>Securities receivable</i>		

## EXPECTED LOSSES ON COMMITMENTS

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
<b>Expected losses as of 31st December 2020</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Transfers from 12-month to maturity</i>				
<i>Transfers from maturity to 12-month</i>				
<i>Transfers from expected to incurred losses</i>				
<b>Total transfer movement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Movement attributable to financial instruments recognized over the period</b>	<b>(2)</b>			
<i>Charge</i>	5			
<i>Utilised</i>				
<i>Reversal utilised</i>	(7)			
<b>Expected losses as of 30th June 2021</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>

## VI - Notes to the Income Statement

### Note 14 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
<b>Interest and similar income</b>	<b>16,396</b>	<b>12,780</b>	<b>25,862</b>
Due from banks	139	109	236
Due from customers	4,074	5,339	10,323
Debt securities	8,784	4,372	9,939
Macro-hedge transactions	988	730	1,398
Other interest income	2,411	2,230	3,965
<b>Interest and similar expenses</b>	<b>(10,019)</b>	<b>(6,481)</b>	<b>(14,032)</b>
Due to banks	(2,527)	(917)	(3,194)
Bonds and other fixed income securities	(2,008)	(1,034)	(2,336)
<i>Financial assets at fair value through other comprehensive income</i>	<i>(1,954)</i>	<i>(1,047)</i>	<i>(2,320)</i>
<i>Securities at amortized cost</i>	<i>(54)</i>	<i>13</i>	<i>(16)</i>
Macro-hedge transactions	(3,075)	(2,320)	(4,583)
Other interest expenses	(2,409)	(2,210)	(3,919)
<b>Interest margin</b>	<b>6,378</b>	<b>6,299</b>	<b>11,830</b>

The AFL Group adopted as of June 30, 2021, a new presentation of interest income and expenses. From now on, interest from customers, securities portfolios and interest on debts issued are presented net of interest income and expenses on their micro-hedging swaps. Interest on Macro-hedge swaps are presented as income for swaps generating income on the net of the two legs of the instrument and as charges when the net of the two legs represents an interest charge. This shape of presentation was also applied to the comparative periods.

### Note 15 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
<b>Fee &amp; Commission Income</b>	<b>87</b>	<b>75</b>	<b>186</b>
Interbank transactions			
Customer transactions	0.2	0.03	36
Securities transactions			
Forward financial instruments transactions			
Currencies transactions			
Financing commitments and guarantee	87	75	150
Other commissions received			
<b>Fee &amp; Commission Expense</b>	<b>(244)</b>	<b>(67)</b>	<b>(264)</b>
Interbank transactions	(7)	(6)	(11)
Securities transactions	(4)	(4)	(9)
Forward financial instruments transactions	(65)	(56)	(125)
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid	(168)		(118)
<b>Net Fee and Commission income</b>	<b>(157)</b>	<b>8</b>	<b>(78)</b>

### Note 16 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Gains/(losses) on Trading book	(0.4)	0.5	0.1
Net result of hedge accounting	(1,979)	(623)	(6,802)
Net result of foreign exchange transactions	1	(0.4)	(2)
<b>TOTAL</b>	<b>(1,978)</b>	<b>(623)</b>	<b>(6,804)</b>

## Analysis of net result of hedge accounting

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
<b>Fair value hedges</b>			
Fair value changes in the hedged item attributable to the hedged risk	726	49,050	34,297
Fair value changes in the hedging derivatives	(452)	(50,213)	(35,147)
Hedging relationship disposal gain	(2,024)	(342)	(6,531)
<b>Cash flow hedges</b>			
Fair value changes in the hedging derivatives – ineffective portion			
Discontinuation of cash flow hedge accounting			
<b>Portfolio hedge</b>			
Fair value changes in the hedged item	(15,043)	13,732	13,479
Fair value changes in the hedging derivatives	14,814	(12,850)	(12,901)
<b>Net result of hedge accounting</b>	<b>(1,979)</b>	<b>(623)</b>	<b>(6,802)</b>

## Note 17 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Gains from disposal of fixed income securities	2,107	656	5,878
Losses from disposal of fixed income securities	(80)	(232)	(282)
Gains from disposal of variable income securities			
Other income/(expenses) from Financial assets at fair value through other comprehensive income			
Impairment (charges) and reversals on Financial assets at fair value through other comprehensive income			
<b>Gains or (losses) on Financial assets at fair value through other comprehensive income</b>	<b>2,027</b>	<b>425</b>	<b>5,596</b>

## Note 18 - NET GAINS AND LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Gains on derecognition of fixed income securities at amortised cost	8		
Losses on derecognition of fixed income securities at amortised cost			
Gains on loans sold	2,146		3,244
Losses on loans sold			
<b>Total Net gains and losses on derecognition of financial assets at amortised cost</b>	<b>2,154</b>	<b>-</b>	<b>3,244</b>

## Note 19 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
<b>Employee expenses</b>			
Wages and salaries	1,883	1,669	3,377
Post-employment benefit expenses	187	171	358
Other expenses	804	768	1,528
<b>Total Employee expenses</b>	<b>2,873</b>	<b>2,607</b>	<b>5,263</b>
<b>Operating expenses</b>			
Taxes and duties	652	575	746
External services	2,230	1,789	3,800
<b>Total Administrative expenses</b>	<b>2,882</b>	<b>2,364</b>	<b>4,547</b>
Charge-backs and reclassification of administrative expenses			
<b>Total General operating expenses</b>	<b>5,755</b>	<b>4,971</b>	<b>9,809</b>

**Note 20 - COST OF RISK**

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Net charge to provisions	(274)	(449)	(350)
<i>for financial assets at fair value through other comprehensive income</i>	(256)	(169)	(129)
<i>for financial assets at amortized cost</i>	(18)	(280)	(221)
Net charge to provisions	2	(6)	(4)
<i>for financing commitments</i>	2	(6)	(4)
<i>for guarantee commitments</i>			
Irrecoverable loans written off not covered by provisions			
Recoveries of bad debts written off			
<b>Total Cost of risk</b>	<b>(273)</b>	<b>(455)</b>	<b>(355)</b>

**Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS**

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Gains on sales of Investment securities			
Gains on sales of tangible or intangible assets			
Reversal of impairment			
<b>Total Gains on other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
Losses on sales of Investment securities			
Losses on sales of tangible or intangible assets		(21)	(21)
Charge of impairment			
<b>Total Losses on other assets</b>	<b>-</b>	<b>(21)</b>	<b>(21)</b>

**Note 22 - INCOME TAX**

(€ '000s)	30/06/2021	30/06/2020	31/12/2020
Expense and income of current tax	(13)		2
Expense and income of differed tax	(199)	152	154
Ajustement on previous period			
<b>Total Income tax</b>	<b>(213)</b>	<b>152</b>	<b>156</b>



## 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:

(€ '000s)	30/06/2021			
	Total	Measured using		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
<b>Financial assets at fair value through profit or loss</b>	<b>15,828</b>	-	15,828	-
<b>Hedging derivative instruments</b>	<b>166,550</b>	-	166,550	-
Government paper and similar securities	788,406	748,353	-	40,053
Bonds	-	-	-	-
Other fixed income securities	-	-	-	-
<b>Total Financial assets at fair value through other comprehensive income</b>	<b>788,406</b>	<b>748,353</b>	<b>-</b>	<b>40,053</b>
<b>Total Financial assets</b>	<b>970,784</b>	<b>748,353</b>	<b>182,378</b>	<b>40,053</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>	<b>15,792</b>	-	15,792	-
<b>Hedging derivative instruments</b>	<b>221,325</b>	-	221,325	-
<b>Total Financial liabilities</b>	<b>237,117</b>	<b>-</b>	<b>237,117</b>	<b>-</b>

#### Fair values of instruments carried at amortised cost:

(€ '000s)	30/06/2021				
	Net Carrying value	Fair value	Measured using		
			Level 1	Level 2	Level 3
<b>Financial assets</b>					
<b>Cash, central banks and issuing institutions</b>	<b>1,134,267</b>	<b>1,134,267</b>	-	-	1,134,267
Government paper and similar securities	183,286	182,661	125,596	-	57,065
Bonds	10,065	10,054	10,054	-	-
Other fixed income securities	-	-	-	-	-
<b>Total Securities at amortized cost</b>	<b>193,351</b>	<b>192,715</b>	<b>135,650</b>	<b>-</b>	<b>57,065</b>
<b>Loans and receivables due from credit institutions</b>	<b>223,639</b>	<b>223,639</b>	-	-	223,639
<b>Loans and advances to customers</b>	<b>3,945,227</b>	<b>3,945,227</b>	-	-	3,945,227
<b>Total Financial assets</b>	<b>5,496,484</b>	<b>5,495,848</b>	<b>135,650</b>	<b>-</b>	<b>5,360,198</b>
<b>Financial liabilities</b>					
<b>Debt securities</b>	<b>6,052,310</b>	6,073,412	5,194,556	740,015	138,841
<b>Total Financial liabilities</b>	<b>6,052,310</b>	<b>6,073,412</b>	<b>5,194,556</b>	<b>740,015</b>	<b>138,841</b>

The fair value of loans and receivables to customers includes the outstanding capital and the revaluation in interest rates of the loans hedged on the closing date.

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 2021 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

	Performing assets	Past due but not impaired	Impairment allowance	Total 30/06/2021
(€ '000s)				
Cash, central banks	1,134,333		(66)	1,134,267
Financial assets at fair value through profit or loss	15,828			15,828
Hedging derivative instruments	166,550			166,550
Financial assets at fair value through other comprehensive income	788,406			788,406
Securities at amortized cost	193,542		(192)	193,351
Loans and receivables due from credit institutions	223,669		(30)	223,639
Loans and advances to customers	3,928,715	3,942	(132)	3,932,525
Revaluation adjustment on interest rate hedged portfolios	12,701			12,701
Current tax assets	16			16
Other assets	326			326
<b>Sub-total Assets</b>	<b>6,464,086</b>	<b>3,942</b>	<b>(419)</b>	<b>6,467,609</b>
Financing commitments given	314,853			314,853
<b>TOTAL Credit risk exposure</b>	<b>6,778,938</b>	<b>3,942</b>	<b>(419)</b>	<b>6,782,462</b>

### Exposure analysis by counterparty

	Total 30/06/2021
(€ '000s)	
Central banks	1,134,267
Local public sector	5,067,163
Credit institutions guaranteed by the EEA States	77,167
Credit institutions	431,620
Other financial corporations guaranteed by the EEA States	
Other financial corporations	52,608
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	19,638
<b>Total Exposure by counterparty</b>	<b>6,782,462</b>

Agence France Locale's very cautious investment policy prefers securities issued by States and central governments, or ones that are guaranteed by such counterparties.

Credit institutions exposures primarily result from cash management and interest rates hedging transactions.

### Exposure analysis by geographic area

	Total 30/06/2021
(€ '000s)	
France	6,086,297
Supranational	296,673
Canada	89,679
Finland	50,554
Belgium	40,451
South Korea	39,785
Switzerland	34,218
Austria	26,232
New Zealand	26,022
Japan	23,690
Germany	20,255
Netherlands	15,144
China	13,988
Denmark	13,870
Sweden	5,602
<b>Total Exposure by geographic area</b>	<b>6,782,462</b>

As credits are solely granted to French local authorities, the largest exposure is to France.

Exposures to other countries (EEA, North America, Asia and Oceania) result from Agence France Locale's cash management policy and its investment in sovereign or equivalent securities.

## 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	Related receivables and payables	Revaluation	Total 30/06/2021
<b>Cash, central banks</b>	1,134,267				1,134,267			1,134,267
<b>Financial assets at fair value through profit or loss</b>		223	7,138	8,467	15,829	(0.5)		15,828
<b>Hedging derivative instruments</b>	1,915	4,208	34,326	123,758	164,207	2,343		166,550
<b>Financial assets at fair value through other comprehensive income</b>								
Government paper and similar securities	10,001	30,052	404,709	334,937	779,698	2,058	6,649	788,406
Bonds								
<b>Total Financial assets at fair value through other comprehensive income</b>	<b>10,001</b>	<b>30,052</b>	<b>404,709</b>	<b>334,937</b>	<b>779,698</b>	<b>2,058</b>	<b>6,649</b>	<b>788,406</b>
<b>Securities at amortized cost</b>								
Government paper and similar securities		4,007	66,449	111,949	182,405	982	(101)	183,286
Bonds		6,175	3,824		10,000		65	10,065
<b>Total Securities at amortized cost</b>		<b>10,183</b>	<b>70,273</b>	<b>111,949</b>	<b>192,405</b>	<b>982</b>	<b>(36)</b>	<b>193,351</b>
<b>Loans and receivables due from credit institutions</b>	108,292		115,000		223,292	347		223,639
<b>Loans and advances to customers</b>	97,773	237,199	1,101,962	2,423,916	3,860,850	7,032	64,643	3,932,525
<b>Revaluation adjustment on interest rate hedged portfolios</b>							12,701	12,701
<b>Current tax assets</b>	16				16			16
<b>Other assets</b>	326				326			326
<b>TOTAL ASSETS</b>								<b>6,467,609</b>
<b>LIABILITIES</b>								
<b>Central banks</b>						202		202
<b>Financial assets at fair value through profit or loss</b>		223	7,138	8,467	15,828	(36)		15,792
<b>Hedging derivative instruments</b>	1	90	17,855	194,269	212,215	9,110		221,325
<b>Debt securities</b>	138,841	749,565	2,179,813	2,925,562	5,993,781	3,274	55,255	6,052,310
<b>Due to credit institutions</b>	1,416				1,416			1,416
<b>Revaluation adjustment on interest rate hedged portfolios</b>								-
<b>Other liabilities</b>	3,235				3,235			3,235
<b>TOTAL LIABILITIES</b>								<b>6,294,280</b>

Agence France Locale oversees the transformation of its balance sheet into liquidity by monitoring several indicators, including the difference in average maturity between assets and liabilities which is limited to 12 months, temporarily increased to 18 months, and limits in gaps.

## D - Interest rate risk: sensitivity to interest rate changes

Exposure to interest rate risk relates to that of the Operational subsidiary, Agence France Locale. The rate risk management policy and its implications on the first half of 2021 are described into the financial report as at 30th June 2021.