Agence France Locale - Société Territoriale
Consolidated interim accounts (IFRS GAAP)

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	21,715	6,151
Loans and advances to customers	5	97,123	
Revaluation adjustment on interest rate hedged portfolios	1	3	
Held-to-maturity financial assets	3	56,259	31,873
Current tax assets			
Deferred tax assets	6	5,715	3,301
Accruals and other assets	7	26,630	1,593
Intangible assets	8	6,641	4,148
Property, plant and equipment	8	671	649
Goodwill			
TOTAL ASSETS		**813,747**	**47,715**

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	2,309	1,228
Provisions	12	3	3
Equity		**60,416**	**30,684**
Equity, Group share		**60,415**	**30,683**
Share capital and reserves		71,841	37,286
Consolidated reserves		(6,603)	
Reevaluation reserve			
Gains and losses recognised directly in equity		(78)	
Profit (loss) for the period		(4,744)	(6,603)
Non-controlling interests		**1**	**1**
TOTAL LIABILITIES		**813,747**	**47,715**

Income statement

(€ '000s)	Note	30/06/2015	30/06/2014	31/12/2014
Interest and similar income	13	1,177	118	440
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)	1	1
Income on other activities				
Expenses on other activities				
NET BANKING INCOME		**(664)**	**45**	**325**
Operating expenses	17	(5,918)	(5,527)	(10,112)
Net depreciation, amortisation and impairments of tangible and intangible assets	8	(535)	(10)	(117)
GROSS OPERATING INCOME		**(7,116)**	**(5,492)**	**(9,904)**
Cost of risk				
OPERATING INCOME		**(7,116)**	**(5,492)**	**(9,904)**
Net gains and losses on other assets				
INCOME BEFORE TAX		**(7,116)**	**(5,492)**	**(9,904)**
Income tax	6	**2,372**	**1,831**	**3,301**
NET INCOME		**(4,744)**	**(3,662)**	**(6,603)**
Non-controlling interests				
NET INCOME GROUP SHARE		**(4,744)**	**(3,662)**	**(6,603)**
Basic earnings per share (in EUR)		(6.60)	(9.82)	(17.71)
Diluted earnings per share (in EUR)		(6.60)	(9.82)	(17.71)

Net income and other comprehensive income

Consolidated interim accounts (IFRS GAAP)

(€ '000s)	30/06/2015	31/12/2014
Net income	**(4,744)**	**(6,603)**
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	**(4,822)**	**(6,603)**

Consolidated statement of changes in equity

Consolidated interim accounts (IFRS GA (€ '000s)	Capital	Associated reserves to capital	Consolidated reserves	Gains or losses, net of tax, recognised directly in equity: Net change in fair value of available-for-sale inancial assets, after tax	Gains or losses, net of tax, recognised directly in equity: Net change in fair value of cash flow hedging derivatives, after tax	Net income, Group share	Share-holders' equity - Group share	Share-holders'equity, non-controlling interests	Total share-holders equity
Shareholders' equity at opening									
Increase in share capital	37,286						**37,286**	1	**37,287**
Elimination of treasury shares									
Allocation of profit									
Dividends paid									
Sub-total of changes linked to transactions with shareholders	**37,286**	**-**	**-**	**-**	**-**	**-**	**37,286**	**1**	**37,287**
Changes in fair value through equity									
2014 Net income						(6,603)	**(6,603)**		**(6,603)**
Sub-total	**37,286**	**-**	**-**	**-**	**-**	**(6,603)**	**30,683**	**1**	**30,684**
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 31 december 2014	**37,286**	**-**	**-**	**-**	**-**	**(6,603)**	**30,683**	**1**	**30,684**
Incidence des changements de méthodes comptables									
Shareholders' equity at 1 january 2015	**37,286**	**-**	**-**	**-**	**-**	**(6,603)**	**30,683**	**1**	**30,684**
Increase in share capital	34,555						**34,555**		**34,555**
Elimination of treasury shares									
Allocation of profit			(6,603)			6,603	**-**		
Dividends 2014 paid									
Sub-total of changes linked to transactions with shareholders	**34,555**	**-**	**(6,603)**	**-**	**-**	**6,603**	**34,555**	**-**	**34,555**
Changes in fair value through equity				(78)			**(78)**		**(78)**
June 30, 2015 Net income						(4,744)	**(4,744)**		**(4,744)**
Sub-total	**-**	**-**	**-**	**(78)**	**-**	**(4,744)**	**(4,822)**	**-**	**(4,822)**
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 30 june 2015	**71,841**	**-**	**(6,603)**	**(78)**	**-**	**(4,744)**	**60,416**	**1**	**60,417**

Cash flow statement

(€ '000s)	30/06/2015	31/12/2014
Net income before taxes	**(7,116)**	**(9,904)**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	535	117
+/- Net provisions and impairment charges		3
+/- (Expense)/income from investing activities	(248)	(88)
+/- (Expense)/income from financing activities	26	63
+/- Other non-cash items	1,275	(420)
= Non-monetary items included in net income before tax and other adjustments	**1,588**	**(325)**
+/- 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	893	55
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(120,588)	
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(126,116)**	**(10,174)**
+/- Flows linked to financial assets and investments	(619,909)	(31,784)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(3,049)	(4,914)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**(622,959)**	**(36,698)**
+/- Cash from or for shareholders	34,555	37,287
+/- Other cash from financing activities	730,084	15,737
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**764,639**	**53,023**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**15,564**	**6,151**
Cash flow from operating activities (A)	(126,116)	(10,174)
Cash flow from investing activities (B)	(622,959)	(36,698)
Cash flow from financing activities (C)	764,639	53,023
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	**6,151**	
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	6,151	
Cash and cash equivalents at the end of the period	**21,715**	**6,151**
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	21,715	6,151
CHANGE IN NET CASH	**15,564**	**6,151**

NOTES TO THE CONSOLIDATED INTERIM ACCOUNTS

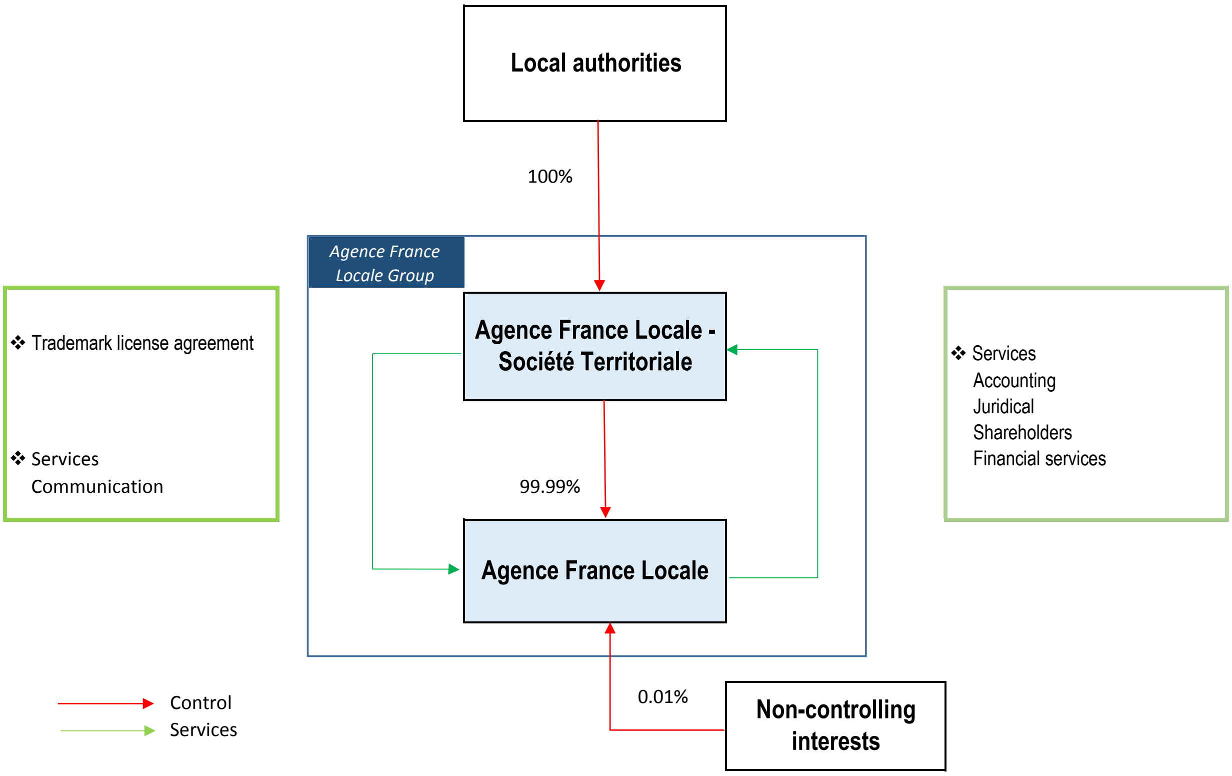
I - General framework

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, Société Teritorriale 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 €-664K on 30 June 2015 compared to €45K on 30 June 2014. It essentially corresponds to a negative interest margin of €-152K 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 €5,918K. They show an increase compared to those of the first half of the previous year which amounted to €5,527K. The sum includes €2,136K 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 €6,744K, before the transfer of capital expenditures, close to the total of €6,552K 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 €6,744K 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 €535K compared to €10K on 30 June 2014, the operating income on 30 June 2015 come to €-7,116K compared to €-5,492K 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 €2,372K.

The first half year 2015 ended with a net loss of € -4.770K compared to a loss of € -3.662K over the same period during the previous year.

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

The condensed interim consolidated 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 consolidated 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

Scope of consolidation and control

The AFL Group is structured as follows:

- The Group parent company is AFL ST
- Agence is the only subsidiary as of 31 December 2014

On 31 December 2014, the consolidation scope is composed exclusively of Agency, the subsidiary, on which the AFL ST has exclusive control coming from its holding of 99.99% of the voting rights.

Consolidation methods

A subsidiary is an entity controlled by the group. The Group considers that it has exclusive control of a company when it is in a position to influence directly or indirectly the operational and financial policies of the company. The subsidiaries' financial statements are included in the consolidated financial statements from the date control is obtained to the date control ceases. Revenues, expenses and balance sheet items resulting from intra-group transactions are eliminated.

Changes in ownership interests in a subsidiary's equity instruments that do not result in a loss of control are accounted for as equity transactions

AFL ST hold an exclusive control on Agence. The consolidation method used is full consolidation method.

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.

Individually assessed financial assets: 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.

Collective impairment: 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

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.

Use of estimates in the preparation of the financial statements

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.

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 Assets	30/06/2015 Liabilities	31/12/2014 Assets	31/12/2014 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 from European Comunity.

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	-	959,356	(407,496)	(93)	-	792	(74)	552,485
Bonds	-	43,134	-	(17)	-	(7)	-	43,109
Other fixed income securities	-	-	-	-	-	-	-	-
TOTAL	**-**	**1,002,490**	**(407,496)**	**(110)**	**-**	**785**	**(74)**	**595,595**

Note 3 - Held-to-maturity financial assets

(€ '000s)	30/06/2015	31/12/2014
Government paper and similar securities	38,508	13,913
Bonds	17,750	17,959
Other fixed income securities	-	-
Net amount in balance sheet	**56,259**	**31,873**
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	13,913	24,714	-	-	(119)	-	38,508
Bonds	17,959	5	-	-	(214)	-	17,750
Other fixed income securities	-	-	-	-	-	-	-
TOTAL	**31,873**	**24,719**	**-**	**-**	**(333)**	**-**	**56,259**

Note 4 - RECEIVABLES ON CREDIT INSTITUTIONS

(€ '000s)	30/06/2015	31/12/2014
Loans and receivables		
- demand	21,715	6,151
- time		
Securities bought under repurchase agreements		
TOTAL	**21,715**	**6,151**
Impairment		
NET CARRYING AMOUNT	**21,715**	**6,151**

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	3,301	
Of which deferred tax assets	3,301	
Of which deferred tax liabilities		
Recognised in income statement	**2,372**	**3,301**
Income statement (charge) / credit	2,372	
Recognised in equity	**41**	**-**
Available-for-sale financial assets	41	
Cash flow hedges		
Other		
Net asset as at	**5,714**	**3,301**
Of which deferred tax assets	5,715	3,301
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	5,584	3,301
Other temporary differences	89	
TOTAL DEFERRED TAX ASSETS	**5,715**	**3,301**

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	948	1,506
Impairment		
Net carrying amount	**26,417**	**1,568**
Accruals		
Prepaid charges	212	26
Other deferred income	1	
Transaction to recieve and settlement accounts		
Other accruals		
Total	**214**	**26**
TOTAL OTHER ASSETS AND ACCRUALS	**26,630**	**1,593**

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	1,664	1,029
Total	**1,664**	**1,029**
Accruals		
Transaction to pay and settlement accounts		
Other accrued expenses	644	199
Unearned income		
Other accruals		
Total	**644**	**199**
TOTAL ACCRUALS AND OTHER LIABILITIES	**2,309**	**1,228**

Note 12 - PROVISIONS

(€ '000s)	Balance as of 31/12/2014	Depreciation 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	**1,177**	**118**	**440**
Due from banks			
Due from customers	161		
Bonds and other fixed income securities	202	118	440
from Held-for-sale securities	*(168)*		
from Held-to-maturity securities	*370*	*118*	*440*
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	**(152)**	**96**	**377**

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		1	1
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)**	**1**	**1**

Note 17 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2015	30/06/2014	31/12/2014
Employee expenses			
Wages and salaries	1,455	435	1,384
Post-employment benefit expenses	151	47	144
Other expenses	531	182	493
Total Employee expenses	**2,136**	**664**	**2,021**
Operating expenses			
Taxes and duties	65	6	19
External services	6,680	6,546	12,055
Total Administrative expenses	**6,744**	**6,552**	**12,074**
Charge-backs and reclassification of administrative expenses	(2,963)	(1,689)	(3,983)
Total General operating expenses	**5,918**	**5,527**	**10,112**

VII - Notes to Risk exposure

A - Fair value of financial instruments

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.

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 that is measured using significant unobservable inputs

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	**21,715**	21,715	-	-	21,715
Loans and advances to customers	**97,123**	97,123	-	-	97,123
Government paper and similar securities	38,508	37,683	37,683		
Bonds	17,750	19,418	19,418		
Other fixed income securities					
Total Held-to-maturity financial assets	**56,259**	**57,101**	**57,101**	**-**	**-**
Total Financial assets	**175,096**	**175,939**	**57,101**	**-**	**118,838**
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 institutions	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

AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1st to June 30, 2015

KPMG AUDIT FS I
Tour Eqho
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92066 Paris La Défense cedex

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STATUTORY AUDITORS' REVIEW REPORT ON THE HALF YEARLY CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1st to June 30, 2015

AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE
41, quai d'Orsay
75007 PARIS

Ladies and gentlemen,

In our capacity as Statutory Auditors of Agence France Locale – Société Territoriale 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 consolidated financial statements of Agence France Locale – Société Territoriale, for the six-months period ended June 30, 2015.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. 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 consolidated financial statements 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