

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

BALANCE SHEET

Assets as of June 30, 2016

(€ '000s)	Note	30/06/2016	31/12/2015
Cash, central banks	3	999	
Financial assets at fair value through profit or loss			
Hedging derivative instruments	1	22,750	2,390
Available-for-sale financial assets	2	729,768	459,037
Loans and receivables due from credit institutions	3	121,645	47,206
Loans and advances to customers	4	590,206	383,527
Revaluation adjustment on interest rate hedged portfolios		3,541	17
Held-to-maturity financial assets			
Current tax assets			
Deferred tax assets	5	7,307	7,290
Accruals and other assets	6	34,556	13,786
Intangible assets	7	6,713	7,505
Property, plant and equipment	7	591	630
Goodwill			
TOTAL ASSETS		1,518,076	921,387

Liabilities as of June 30, 2016

(€ '000s)	Note	30/06/2016	31/12/2015
Central banks			
Financial liabilities at fair value through profit or loss			
Hedging derivative instruments	1	42,877	12,025
Due to credit institutions			
Due to customers			
Debt securities	8	1,366,818	840,536
Revaluation adjustment on interest rate hedged portfolios			
Current tax liabilities			
Deferred tax liabilities	5		1,234
Accruals and other liabilities	9	7,926	2,374
Provisions	10	19	19
Equity		100,435	65,200
Equity, Group share		100,434	65,199
Share capital and reserves		115,241	77,413
Consolidated reserves		(14,314)	(6,604)
Reevaluation reserve			
Gains and losses recognised directly in equity		(229)	2,099
Profit (loss) for the period		(264)	(7,710)
Non-controlling interests		1	1
TOTAL LIABILITIES		1,518,076	921,387

Income statement

(€ '000s)	Note	30/06/2016	30/06/2015	31/12/2015
Interest and similar income	11	8,168	1,177	5,406
Interest and similar expenses	11	(6,041)	(1,329)	(4,911)
Commissions (income)	12		0.01	0
Commissions (expense)	12	(53)	(3)	(24)
Net gains (losses) on financial instruments at fair value through profit or loss	13	(294)	(500)	(94)
Net gains (losses) on available-for-sale financial assets	14	3,267	(8)	14
Income on other activities		1		17
Expenses on other activities				
NET BANKING INCOME		5,049	(664)	408
Operating expenses	15	(4,435)	(5,918)	(10,077)
Net depreciation, amortisation and impairments of tangible and intangible assets	7	(915)	(535)	(1,226)
GROSS OPERATING INCOME		(301)	(7,116)	(10,894)
Cost of risk				
OPERATING INCOME		(301)	(7,116)	(10,894)
Net gains and losses on other assets	16			(670)
INCOME BEFORE TAX		(301)	(7,116)	(11,565)
Income tax	5	37	2,372	3,854
NET INCOME		(264)	(4,744)	(7,710)
Non-controlling interests				
NET INCOME GROUP SHARE		(264)	(4,744)	(7,710)
Basic earnings per share (in EUR)		(0.23)	(6.60)	(10.73)
Diluted earnings per share (in EUR)		(0.23)	(6.60)	(10.73)

Net income and other comprehensive income

(€ '000s)	30/06/2016	31/12/2015
Net income	(264)	(7,710)
Items will be reclassified subsequently to profit or loss	(229)	2,099
Unrealized or deferred gains and losses of financial assets available for sale	(229)	2,099
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	-	(1)
Revaluation in respect of defined benefit plans		(1)
Items will not be reclassified subsequently to profit or loss	(229)	2,099
NET INCOME AND GAINS AND LOSSES THROUGH EQUITY	(493)	(5,611)

Consolidated statement of changes in equity

	Capital	Associated reserves to capital	Consolidated reserves	Gains or losses, net of tax, recognised directly in equity		Net income, Group share	Share-holders' equity - Group share	Share-holders' equity, non-controlling interests	Total share-holders equity
				Net change in fair value of available-for-sale financial assets, after tax	Net change in fair value of cash flow hedging derivatives, after tax				
(€ '000s)									
Shareholders' equity at at 31 december 2014	37,286	0	0	0	-	(6,603)	30,683	1	30,684
Increase in share capital	40,128						40,128	1	40,129
Elimination of treasury shares									
Allocation of profit			(6,603)			6,603			
Dividends paid									
Sub-total of changes linked to transactions with shareholders	40,128	-	(6,603)	-	-	6,603	40,128	1	40,129
Change in fair value through equity				2,101			2,101		2,101
Change in value of through profit or loss				(2)			(2)		(2)
Changes in actuarial gains on retirement benefits			(1)				(1)		(1)
Changes in gains and losses recognized directly in equity	-	-	(1)	2,099	-	-	2,099	1	2,099
2015 Net income						(7,710)	(7,710)		(7,710)
Sub-total	-	-	(1)	2,099	-	(7,710)	(5,611)	1	(5,611)
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 31 december 2015	77,413	-	(6,604)	2,099	-	(7,710)	65,199	1	65,201
Impact of changes in accounting policies									
Shareholders' equity at 1 january 2016	77,413	-	(6,604)	2,099	-	(7,710)	65,199	1	65,201
Increase in share capital	37,828 ⁽¹⁾						37,828		37,828
Elimination of treasury shares									
Allocation of profit			(7,710)			7,710	-		
Dividends 2015 paid									
Sub-total of changes linked to transactions with shareholders	37,828	-	(7,710)	-	-	7,710	37,828	-	37,828
Changes in fair value through equity				(308) ⁽²⁾			(308)		(308)
Change in value of through profit or loss				(2,020)			(2,020)		(2,020)
Changes in actuarial gains on retirement benefits									
Changes in gains and losses recognized directly in equity	-	-	-	(2,328)	-	-	(2,328)	-	(2,328)
June 30, 2016 Net income						(264)	(264)		(264)
Sub-total	-	-	-	(2,328)	-	(264)	(2,592)	-	(2,592)
Effect of acquisitions and disposals on non-controlling interests									
Shareholders' equity at 30 june 2016	115,241	-	(14,314)	(229)	-	(264)	100,434	1	100,436

⁽¹⁾ Territorial Company had three capital increases during the first half of 2016. The first was subscribed on 4th March 2016 to €20,208k and the second on 27th April 2016 for €11,158k, and the third on 28th June 2016 for € 6,463k.

⁽²⁾ The change in fair value through equity in the first half can be explained by a change in valuation methods for available for sale securities. Valuations of latent gains on investment securities was made to 30 June 2016 on a transaction price offered (Bid) while the portfolio was evaluated in the previous year on an average price of transaction (Mid). These estimation of the portfolio value terms are in accordance with the risk management rules and monitoring the performance of portfolio applied by the Agency.

Cash flow statement

(€ '000s)	30/06/2016	31/12/2015
Net income before taxes	(301)	(11,565)
+/- Net depreciation and amortisation of tangible and intangible non-current assets	915	1,226
+/- Net provisions and impairment charges		105
+/- Expense/income from investing activities	(4,759)	470
+/- Expense/income from financing activities	1	28
+/- Other non-cash items	630	663
= Non-monetary items included in net income before tax and other adjustments	(3,212)	2,493
+/- Cash from interbank operations		
+/- Cash from customer operations	(194,988)	(384,336)
+/- Cash from financing assets and liabilities	7,622	(5,146)
+/- Cash from not financing assets and liabilities	256	1,181
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(187,111)	(388,301)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	(190,624)	(397,373)
+/- Flows linked to financial assets and investments	(268,187)	(424,390)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(85)	(4,563)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	(268,273)	(428,953)
+/- Cash from or for shareholders	37,259	40,128
+/- Other cash from financing activities	497,075	827,254
= CASH FLOW FROM FINANCING ACTIVITIES (C)	534,334	867,382
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	75,438	41,055
Cash flow from operating activities (A)	(190,624)	(397,373)
Cash flow from investing activities (B)	(268,273)	(428,953)
Cash flow from financing activities (C)	534,334	867,382
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	47,206	6,151
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	47,206	6,151
Cash and cash equivalents at the end of the period	122,644	47,206
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	122,644	47,206
CHANGE IN NET CASH	75,438	41,055

NOTES TO THE INTERIM CONDENSED CONSOLIDATED ACCOUNTS

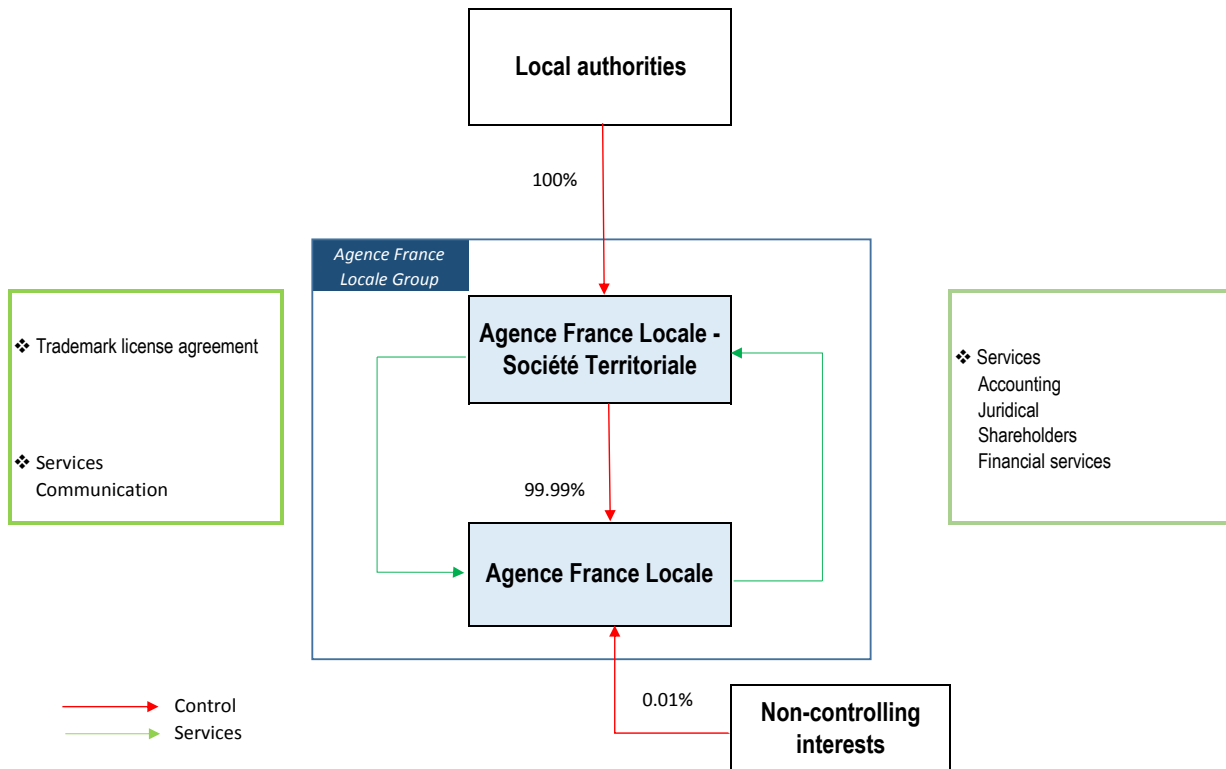
I - General framework

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 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 consolidated financial statements were approved by the Board of Directors as of September 12, 2016.

II - Highlights from the first half of 2016

The lending activity of Agence France Locale to its local authority members amounted to 110.4 million Euros during the first half of 2016, a traditionally weak period as far as local authority borrowing is concerned. The outstanding amounts at 30 June 2016, expressed according to the French accounting standard, were therefore 580.1 million Euros of funds made available and 23.6 million Euros of funding commitments, or a total amount of loans signed of 603.7 million Euros.

During the first half of 2016 Agence France Locale issued its second benchmark bond in Euros, for 500 million Euros, with a maturity period of 7 years and 0.25% coupon corresponding to a margin of 31 basis points against the yield curve of French government bonds (OATs). This issuance was very well received by the market with an order book of more than 780 million Euros and very diverse investors in terms both of category and geography, as evidenced by the high number of French and international investors.

During the first half of 2016, Société Territoriale saw its capital raise from €37.8m to €115.2m following three increases in capital. Société Territoriale now has 161 local authorities represented in its capital.

Over the first half of 2016 the NBI generated by the business reached €5,049K compared to -€664K at 30 June 2015. This corresponds mainly to an interest margin of €2,127K over the half-year, capital gains on the sale of available-for-sale securities of €3,281K and a net hedge accounting loss of -€293K.

The interest margin is explained by three factors: first of all, the revenue from the progressive constitution of the loan portfolio, for €2,179K, once restated to take account of the hedges; secondly, the revenue from the management of the liquidity reserves, which in an environment where interest rates are profoundly anchored in negative rate territory, represents a negative amount of -€251K, and finally the net interest income on refinancing, which for the reasons mentioned above, represents a source of revenue amounting to €181K, once the income from its hedge is taken into account.

The gains on placement portfolio include an extraordinary capital gain of €3,146K from the sale of securities initially classified as financial assets held to maturity, which were reclassified as financial assets available for sale after Agence France Locale decided to change the use of its shareholders' equity in December 2015.

The net result of the hedge accounting was -€293K. This consisted of two items. First of all, the sale of the interest rate hedge of available-for-sale securities for €231K, and secondly, the sum of the difference in the fair value of the underlying hedged items and their associated hedging instruments for €62K, €39K of which concerned instruments classed as a micro-hedging and €23K classed as macro-hedging. This hedge accounting result is mainly explained by Agence France Locale taking account of a market practice that leads to mismatch in valuation between the hedging instruments collateralised daily on the one hand, discounted using an Eonia curve, and the hedged items on the other, discounted using an Euribor curve, leading, in accordance with the IFRS, to the recording of an ineffective hedge, which is posted in the income statement. It should be noted, however, that this is an unrealised result.

At 30 June 2016, the general operating expenses stood at €4,435K compared to €5,918K at 30 June 2015. These included €2,265K of personnel costs, which remained at a level comparable to the €2,136K of charges recorded at 30 June 2015. The general operating expenses also included administrative costs, which sharply decreased to €2,223K compared to €6,744K at 30 June 2015, before transferring expenses to fixed assets. This drop is mainly due to the result of the completion of the first stage of the construction and introduction of the information system infrastructure and the deployment of the customer portal, resulting in a decrease of €53K in capitalised expenses for the first half of 2016 compared to €2,963K over the same period in 2015.

After a depreciation charge of €915K compared to €535K at 30 June 2015, the operating income at 30 June 2016 stood at -€301K, compared to -€7,116K at the end of the first half of the previous financial year.

The tax losses recognised for the period gave rise to the capitalisation of deferred tax assets which led to a tax income of €37K compared to €2,372K at 30 June 2015.

The first half of 2016 therefore showed a net loss of -€264K compared to -€4,744K for the same period of the previous financial year. Beyond the extraordinary capital gain generated by the sale of securities, this significant reduction in the net loss, which is in line with the central scenario of the business plan, translates the positive effects of the start-up of Agence France Locale's lending activity.

Subsequent events

No significant subsequent events occurred on the beginning of the second half 2016 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, 2016 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 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.

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 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

The accounting principles and methods used to prepare the interim financial statements are identical to those applied at 31 December 2015.

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 30 June 2016

On 30 June 2016, 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.

V - Notes to the Balance Sheet

Note 1 - HEDGING DERIVATIVES

Analysis by type of hedge

(€ '000s)	30/06/2016		31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	22,579	38,819	2,204	11,743
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	171	4,059	186	282
Total Hedging derivatives	22,750	42,877	2,390	12,025

Detail of derivatives designated as fair value hedges

(€ '000s)	30/06/2016				31/12/2015			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Négative	To receive	To deliver	Positive	Négative
FIRM TRANSACTIONS	1,330,904	571,181	22,579	38,819	802,404	397,427	2,204	11,743
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	1,330,904	571,181	22,579	38,819	802,404	397,427	2,204	11,743
Interest rate contracts	1,283,600	571,181	22,579	36,586	755,100	397,427	2,204	10,401
FRA								
Cross Currency Swaps	47,304			2,232	47,304			1,342
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

(€ '000s)	30/06/2016				31/12/2015			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Négative	To receive	To deliver	Positive	Négative
FIRM TRANSACTIONS	-	140,900	171	4,059	-	65,100	186	282
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	140,900	171	4,059	-	65,100	186	282
Interest rate contracts		140,900	171	4,059		65,100	186	282
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)	30/06/2016	31/12/2015
Government paper and similar securities	691,851	407,976
Bonds	37,917	51,061
Other fixed income securities		
Net amount in balance sheet	729,768	459,037
Including depreciation	-	-
Including net unrealised gains and losses	2,550	3,178

Valuations of latent gains on investment securities was made to 30 June 2016 on a transaction price offered (Bid) while the portfolio was evaluated in the previous year on an average price of transaction (Mid). These estimation of the portfolio value terms are in accordance with the risk management rules and monitoring the performance of portfolio applied by the Agency. At June 30, 2016, the difference between the offered price and the average price underestimates the overall valuation of the portfolio of approximately € 0.7 million.

Fixed-income securities - Analysis by contreparty

(€ '000s)	30/06/2016	31/12/2015
Local public sector	594,838	189,427
Financial institutions	134,930	269,610
Central banks		
Net amount in balance sheet	729,768	459,037

Fixed income securities held on Financial institutions include € 97,013k of securities guaranteed by governments.

Changes in Available-for-sale financial assets

(€ '000s)	Total amount as of 31/12/2015	Additions	Disposals	Gains/(losses) in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Impairment recognised in Income statement	Total 30/06/2016
Government paper and similar securities	407,976	697,772	(416,171)	2,242	1,535	(1,504)	-	691,851
Bonds	51,061	28,344	(41,207)	3	(253)	(31)	-	37,917
Other fixed income securities		-	-	-	-	-	-	-
TOTAL	459,037	726,116	(457,378)	2,245	1,282	(1,535)	-	729,768

Note 3 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	30/06/2016	31/12/2015
Mandatory reserve deposits with central banks	999	
Other deposits		
Cash and central banks	999	-

Receivables on credit institutions

(€ '000s)	30/06/2016	31/12/2015
Loans and receivables		
- demand	121,645	47,206
- time		
Securities bought under repurchase agreements		
TOTAL	121,645	47,206
Impairment		
NET CARRYING AMOUNT	121,645	47,206

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2016	31/12/2015
Short-term credit facilities		
Other loans	590,206	383,527
Customers transactions before impairment charges	590,206	383,527
Impairment		
Net carrying amount	590,206	383,527
<i>Of which individual impairment</i>		
<i>Of which collective impairment</i>		

Note 5 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	30/06/2016	31/12/2015
Net asset as at 1st of january	6,056	3,301
<i>Of which deferred tax assets</i>	7,290	3,301
<i>Of which deferred tax liabilities</i>	1,234	
Recognised in income statement	37	3,854
Income statement (charge) / credit	37	3,854
Recognised in equity	1,214	(1,100)
Available-for-sale financial assets	1,214	(1,100)
Cash flow hedges		
Other		
Net asset as at	7,307	6,056
<i>Of which deferred tax assets</i>	7,307	7,290
<i>Of which deferred tax liabilities</i>		1,234

As at 30 June 2016, Agence recognised deferred tax assets corresponding to losses carried forward. At the end of the 2016 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)	30/06/2016	31/12/2015
Available-for-sale financial assets	114	
Cash flow hedges		
Losses carried forward	6,825	7,290
Other temporary differences	368	
TOTAL DEFERRED TAX ASSETS	7,307	7,290

Deferred tax net liabilities are attributable to the following items:

(€ '000s)	30/06/2016	31/12/2015
Available-for-sale financial assets		1,100
Cash flow hedges		
Other temporary differences		134
TOTAL DEFERRED TAX LIABILITIES	-	1,234

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2016	31/12/2015
Other assets		
Cash collateral paid	33,638	12,985
Other assets	476	663
Impairment		
Net carrying amount	34,114	13,647
Accruals		
Prepaid charges	375	67
Other deferred income	(0.2)	
Transaction to receive and settlement accounts		
Other accruals	67	72
Total	442	139
TOTAL OTHER ASSETS AND ACCRUALS	34,556	13,786

Note 7 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2015	Additions	Transfers	Disposals	Amort.	Other movements	30/06/2016
Intangible fixed assets							
IT development costs	8,224	16	45			147	8,431
Other intangible assets	317	10	8			23	358
Intangible assets in progress	202					(170)	32
Intangible fixed assets gross amount	8,743	26	53	-	-	-	8,821
Depreciation and allowances - Intangible fixed assets	(1,238)				(870)		(2,108)
Intangible fixed assets net carrying amount	7,505	26	53	-	(870)	-	6,713

Tangible fixed assets	31/12/2014	Additions	Transfers	Disposals	Amort.	Other movements	30/06/2016
Property, plant & equipment	735	7					742
Tangible fixed assets gross amount	735	7	-	-	-	-	742
Depreciation and allowances - Tangible fixed assets	(105)				(46)		(151)
Tangible fixed assets net carrying amount	630	7	-	-	(46)	-	591

Note 8 - DEBT SECURITIES

(€ '000s)	30/06/2016	31/12/2015
Negotiable debt securities		
Bonds	1,366,818	840,536
Other debt securities		
TOTAL	1,366,818	840,536

Note 9 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	30/06/2015	31/12/2015
Other liabilities		
Cash collateral received	6,430	100
Miscellaneous creditors	976	1,553
Total	7,406	1,653
Accruals		
Transaction to pay and settlement accounts		
Other accrued expenses	521	720
Unearned income		
Other accruals		
Total	521	720
TOTAL ACCRUALS AND OTHER LIABILITIES	7,926	2,374

Note 10 - PROVISIONS

(€ '000s)	Balance as of 31/12/2015	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Amount as of 30/06/2016
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	19	-	-	-	-	19
Provisions for other liabilities to employees						
Other provisions						
TOTAL	19	-	-	-	-	19

OFF-BALANCE SHEET

(€ '000s)	30/06/2016	31/12/2015
Commitments given	23,570	136,933
Financing commitments	23,570	121,922
<i>For credit institutions</i>		
<i>For customers</i>	23,570	121,922
Guarantee commitments		
<i>For credit institutions</i>		
<i>For customers</i>		
Commitments on securities		15,011
<i>Securities to be delivered to the issuance</i>		
<i>Other securities to be delivered</i>		15,011
Commitments received	-	
Financing commitments		
<i>From credit institutions</i>		
Guarantee commitments		
<i>From credit institutions</i>		
<i>From customers</i>		
Commitments on securities		
<i>Securities receivable</i>		

VI - Notes to the Income Statement

Note 11 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Interest and similar income	8,168	1,177	5,406
Due from banks	28		3
Due from customers	3,428	161	1,365
Bonds and other fixed income securities	(70)	202	373
<i>from Held-for-sale securities</i>	(70)	(168)	(388)
<i>from Held-to-maturity securities</i>		370	762
Income from interest rate instruments	4,782	813	3,664
Other interest income			
Interest and similar expenses	(6,041)	(1,329)	(4,911)
Due to banks	(20)	(28)	(41)
Due to customers			
Debt securities	(2,150)	(831)	(2,574)
Expense from interest rate instruments	(3,870)	(470)	(2,296)
Other interest expenses			
Interest margin	2,127	(152)	496

Note 12 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Commission income	-	-	-
Interbank transactions			
Customer transactions			
Securities transactions			
Forward financial instruments transactions			
Currencies transactions			
Financing commitments and guarantee			
Other commissions received			
Commission expenses	(53)	(3)	(24)
Interbank transactions	(1)	(0.04)	(0.04)
Securities transactions	(28)		(12)
Forward financial instruments transactions	(24)	(3)	(12)
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net fee and commission income	(53)	(3)	(24)

Note 13 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Gains/(losses) on Trading book			
Net result of hedge accounting	(293)	(500)	(94)
Net result of foreign exchange transactions	(1)		
TOTAL	(294)	(500)	(94)

Analysis of net result of hedge accounting

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Fair value hedges			
Fair value changes in the hedged item attributable to the hedged risk	(18,754)	14,492	3,585
Fair value changes in the hedging derivatives	18,715	(14,993)	(3,640)
Hedging relationship disposal gain	(231)		(14)
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	3,525	3	17
Fair value changes in the hedging derivatives	(3,548)	(3)	(42)
Net result of hedge accounting	(293)	(500)	(94)

Note 14 - NET GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Gains from disposal of fixed income securities	3,281	11	36
Losses from disposal of fixed income securities	(13)	(19)	(22)
Gains from disposal of variable income securities			
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	3,267	(8)	14

Note 15 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Employee expenses			
Wages and salaries	1,517	1,455	2,644
Post-employment benefit expenses	164	151	286
Other expenses	584	531	935
Total Employee expenses	2,265	2,136	3,866
Operating expenses			
Taxes and duties	117	65	273
External services	2,106	6,680	10,376
Total Administrative expenses	2,223	6,744	10,649
Charge-backs and reclassification of administrative expenses	(53)	(2,963)	(4,439)
Total General operating expenses	4,435	5,918	10,077

NOTE 16 - +/- NET GAINS (LOSSES) ON FIXED ASSETS

(€ '000s)	30/06/2016	30/06/2015	31/12/2015
Gains on sales of Investment securities			
Gains on sales of tangible or intangible assets			
Reversal of impairment			
Total Gains on fixed assets	-	-	-
Losses on sales of Investment securities			(670)
Losses on sales of tangible or intangible assets			
Charge of impairment			
Total Losses on fixed assets	-	-	(670)

VII - Notes to Risk exposure

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)	30/06/2016			
	Total	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments	22,750	-	22,750	-
Government paper and similar securities	691,851	691,851	-	-
Bonds	37,917	37,917	-	-
Other fixed income securities	-	-	-	-
Total Available-for-sale financial assets	729,768	729,768	-	-
Total Financial assets	752,517	729,768	22,750	-
Financial liabilities				
Derivative financial instruments	(42,877)	-	(42,877)	-
Total Financial liabilities	(42,877)	-	(42,877)	-

Fair values of instruments carried at amortised cost:

(€ '000s)	30/06/2016				
	Net Carrying value	Fair value	Measured using		
			Level 1	Level 2	Level 3
Financial assets					
Loans and receivables due from credit institutions	121,645	121,645	-	-	121,645
Loans and advances to customers	590,206	590,206	-	-	590,206
Total Held-to-maturity financial assets					
Total Financial assets	711,850	711,850	-	-	711,850
Financial liabilities					
Debt securities	1,366,818	1,372,707	1,276,758	-	95,949
Total Financial liabilities	1,366,818	1,372,707	1,276,758	-	95,949

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 2016 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 30/06/2016
Hedging derivative instruments	999			999
Available-for-sale financial assets	22,750			22,750
Loans and receivables due from credit institutions	729,768			729,768
Held-to-maturity financial assets	121,645			121,645
Loans and advances to customers	590,206			590,206
Revaluation adjustment on interest rate hedged portfolios	3,541			3,541
Other assets	34,114			34,114
Sub-total Assets	1,503,022	-	-	1,503,022
Financing commitments given	23,570			23,570
TOTAL Credit risk exposure	1,526,592	-	-	1,526,592

Analysis by counterparty

(€ '000s)	Total 30/06/2016
Central banks	999
Local public sector	1,209,090
Credit institutions guaranteed by the EEA States	97,605
Credit institutions	157,654
Other financial corporations	61,178
Non-financial corporations	66
Total Exposure by counterparty	1,526,592

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 contry

(€ '000s)	Total 30/06/2016
France	1,225,079
Canada	99,598
Supranational	50,437
Switzerland	48,569
Netherlands	40,596
Danemark	28,995
Finland	14,785
Germany	10,231
Norway	5,307
Sweden	2,501
Belgium	495
Total Exposure by counterparty	1,526,592

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

Exposures to other countries (EEA and North America) 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	Accruals	Revaluation	Total 30/06/2016
Hedging derivative instruments	999				999			999
Available-for-sale financial assets		1	27	21,746	21,774	976		22,750
Government paper and similar securities	122,587	53,024	356,492	154,701	686,803	2,551	2,496	691,851
Bonds	-	9,009	28,343	505	37,857	6	53	37,917
Total Available-for-sale financial assets	122,587	62,034	384,835	155,206	724,661	2,557	2,550	729,768
Loans and receivables due from credit institutions	121,645				121,645			121,645
Held-to-maturity financial assets								-
Loans and advances to customers	9,268	27,096	147,827	395,133	579,324	733	10149	590,206
Revaluation adjustment on interest rate hedged portfolios					-		3,541	3,541
Other assets	34,556				34,556			34,556
TOTAL ASSETS								1,503,464
Hedging derivative instruments	-	-	14,347	26,791	41,137	1,740		42,877
Debt securities		95,019		1,243,699	1,338,718	960	27,140	1,366,818
Accruals and other liabilities	7,926				7,926			7,926
TOTAL LIABILITIES								1,417,622

Agence France Locale has a surplus of long-term liabilities, which reflects its limited transformation goals. The difference in modified duration between assets and liabilities is negative; liabilities are still longer than assets. This situation is related to the business start and should evolve in a balanced situation, which should eventually see liabilities with a slightly shorter average life than assets. On 30th June 2016, assets are composed of short-term securities that will be transformed into medium-to-long-term loans.

D - Interest rate risk: sensitivity to interest rate changes

Interest rate risk management policy and its implications on the first half of 2016 are described in the AFL's Financial Report as of 30 June 2016.

Cailliau Dedout et Associés

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AGENCE
FRANCE
LOCALE

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

Cailliau Dedouit et Associés

KPMG AUDIT FS I
Tour EQHO
2 Avenue Gambetta
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92066 Paris la Défense Cedex
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18, rue Clément Marot
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For the six-month period ended June 30, 2016
AGENCE FRANCE LOCALE – SOCIETE
TERRITORIALE
41 quai d'Orsay - 75007 Paris
This report contains 22 pages
Référence :

This is a free translation into English of the statutory auditor's 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.

AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE

Siège social : 41 quai d'Orsay - 75007 Paris
Capital social : €.110 500 000

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

For the six-month period ended June 30, 2016

Ladies and Gentlemen,

In our quality of statutory auditor of Agence France Locale S.A. and in answer to your request within the context of the communication of historical financial information linked to the Base Prospectus, we conducted a review of the accompanying condensed half-yearly financial statements of Agence France Locale – Société Territoriale, for the six-months period ended June 30, 2016.

These condensed half-yearly financial statements are the responsibility of the Board of Directors. Our responsibility 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 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 condensed half-yearly financial statements as at June 30, 2016 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.

AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE
STATUTORY AUDITORS' REVIEW REPORT ON THE HALF YEARLY CONSOLIDATED
FINANCIAL STATEMENTS
October 2016,3

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 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, October 2016,3

Paris, October 2016,3

KPMG Audit FS I

Cailliau Dedouit et Associés

Fabrice Odent
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Laurent Brun
Associé