

First-half 2022:

The results for the six months to June 30, 2022 reflect AFL's strong development and financial strengthening

AFL's half-yearly report published today shows solid performance:

- **Doubling of gross operating income before exceptional items**
- **48 basis points increase of CET1 capital ratio up to 16,21% compared with 31 December 2021**
- **19,5 million committed capital growth up to 262,2 million of euros compared with 31 December 2021**

AFL in figures as of June 30, 2022

Member local authorities: 521

Capital pledged: €262 million

Funds raised on the markets in the first half: €890 million

Permanent employees: 32

Net interest margin: €7,655 thousand

Gross operating income: €2,378 thousand

Net profit: €1,397 thousand

Solvency ratio: 16.21%

Solid financial results despite a complex environment

AFL's core business is generating strong revenue growth, contributing to an increase of more than 20% in the net interest margin year-on-year to €7,655 thousand.

For the first time since it was founded, AFL's gross operating income reached €2,378 thousand over a half-year.

Excluding income from capital gains on the sale of liquidity portfolio securities and adjusting operating expenses for annual expenses recorded in full in the first half of 2022, recurring gross income amounted to €1,165 thousand, compared with €568 thousand in the first half of 2021. This outcome confirms a trend of rapid and

sustained growth in earnings excluding non-recurring items going back several years.

Apart from the significant increase in the contribution to the Single Resolution Fund in 2022, operating expenses hardly rise to 6 085K€ during the first half of 2022 versus 5 686K€ during the first half of 2021.

The increase in the cost of risk to €391 thousand, corresponding to ex-ante provisions under IFRS 9, reflects the change in the assumptions used for the construction of macroeconomic scenarios by asset class to account for the significant deterioration of the geopolitical and economic environment resulting from the conflict between Russia and Ukraine.

Net income after cost of risk was €1,397 thousand, compared with €1,770 thousand in the first half of 2021.

Continued growth in the first half

New memberships remain at a high rate

Despite a very turbulent geopolitical and macroeconomic environment, AFL continues to grow steadily, with 25 new local authorities joining in the first half of 2022, including the Nouvelle-Aquitaine region, 5 EPCIs (groupings of municipalities) and 19 cities and towns, bringing the total number of members to 521 local authorities as of June 30, 2022.

Efficient refinancing with a focus on sustainable bond issues

During the first half, AFL raised €890 million under excellent conditions with an average spread of 25 basis points versus the OAT (French Treasury bonds) curve and a weighted average maturity of 7.1 years, thus meeting 75% of its requirements for 2022. AFL's successful bond issues include €500 million in sustainable bonds with a maturity of 7 years placed with 75 investors representing an order book of more than €2.2 billion.

Loan production in the first half : 215 million of euros

Loan production was limited to €215 million in the first half of 2022 due to the constraint on fixed-rate loans stemming from the application of the usury rate to loans to local authorities. However, loan production jumped following the change in the usury rate effective from July 1, 2022, exceeding the level for the same period in 2021 in just a few weeks.



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Resilience of the model in the face of a shifting geopolitical and macroeconomic environment

In an environment marked by the war on Europe's borders and the ensuing political and economic turmoil, AFL can count on a robust model that enables it to help local authorities meet the challenges they face. While having to deal with the impact of inflation on their expenses, local authorities are on the front line in bringing the energy and climate transitions to the regions.

- AFL now boasts an even stronger financial structure, as demonstrated by its equity and liquidity ratios as of June 30, 2022, which give it significant leeway to support its local authority members:
 - CET1 solvency ratio (consolidated) of 16.21%, compared with 15.73% at December 31, 2021;
 - Leverage ratio (CRR2), calculated in accordance with the methodology applicable to public development banks, of 7.96%, compared with 7.28% as of December 31, 2021;
 - LCR of 1,313%, compared with 923% as of December 31, 2021, highlighting the very comfortable level of AFL's liquidity portfolio, which enables it to meet all of its requirements for nearly 12 months without having to call on the market.

This strength has once again been recognized by Moody's, which on June 3, 2022 reaffirmed AFL's long- and short-term financial ratings at Aa3 (stable outlook) and P-1 respectively.

- AFL's activities carry a very low cost of risk, reflecting its model as a public development bank, its prudent management and the stellar creditworthiness of local authorities:
 - In the six months to June 30, 2022, the cost of risk amounted to €391 thousand, bringing the stock of provisions to €1,263 thousand, i.e. a provisioning rate of 1.9 basis points of outstanding loans.
- AFL's status as a public development bank allows it to play its role in supporting public policy in the general interest to the full, making it a tool adapted to local authorities' needs in financing the energy and climate transitions, and managing the social, economic and financial consequences of the related crises, in addition to the Covid crisis or the current crisis.



Subsequent events and forecasts

- On August 25, 2022, Standard & Poor's confirmed AFL's long- and short-term financial ratings at AA- (stable outlook) and A-1+ respectively.
- Following the adjustment of the usury rate on July 1, 2022, AFL's loan production surged to more than €600 million as of September 15, 2022.
- On September 28, 2022, the AFL-ST Board of Directors launched a 33rd capital increase that should allow some 60 new local authorities to join, including the Haute-Garonne department, around 20 EPCIs (groupings of municipalities) and roughly 40 municipalities.
- On September 28, 2022, AFL's Supervisory Board appointed Laurence Leydier, Loan and Membership Director, as a member of AFL's Management Board. *Yves Millardet, Chairman of the AFL Management Board, said: "We are extremely proud to welcome Laurence Leydier to the AFL Management Board, thereby contributing to the renewal of the Bank's senior management through the promotion of long-standing employees."*

Laurence Leydier takes over as Loan and Membership Director from Philippe Rogier, who has been appointed Institutions and Territories Director, and will be tasked with promoting AFL's development with the local public sector and the institutions that represent it.

- The Supervisory Board of AFL and the Board of Directors of AF-ST that meet on 28 September 2022, adopted the roadmap on Climate and sustainable finance for AFL. On this occasion, Ariane Chazel was appointed Director of Climate and sustainable finance in addition to her current responsibilities.



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The AFL Management Board approved the AFL half yearly financial statements for the first half of 2022 on September 12, 2022. The AFL Supervisory Board, which met under the chairmanship of Sacha Briand on September 28, 2022, reviewed AFL's half-yearly financial statements.

The Board of Directors of AFL-ST (Société Territoriale), which met under the chairmanship of Pia Imbs on September 28, 2022, approved AFL Group's consolidated half-yearly financial statements.

The limited review procedures on the condensed half-yearly parent company and consolidated financial statements for the period from January 1, 2022 to June 30, 2022 were carried out by the Statutory Auditors and the reports are available on the website:

<http://www.agence-france-locale.fr>

This press release contains certain forward-looking statements. Although AFL Group believes that these statements are based on reasonable assumptions as of the date of this press release, they are inherently subject to risks and uncertainties, relating in particular to the impacts of the war in Ukraine and the ensuing economic crisis, which may cause actual results to differ from those indicated or implied in these statements.

AFL Group's financial information for the first half consists of this press release and the report available on the website:

<http://www.agence-france-locale.fr>

About Agence France Locale

“Embody responsible finance and empower local authorities to respond to the present and future needs of their inhabitants.”

“By creating the first bank that we wholly own and manage, we, the French local authorities, have taken a strong political step toward decentralization. Our institution, Agence France Locale, is not a financial institution like the others. Created by and for local authorities, it acts in a local context to strengthen our freedom, our ability to develop projects and our responsibility as public actors. Its culture of prudence protects us from the dangers of the complexity and richness of its governance, and from abuses related to conflicts of interest. Its fundamental objective is to offer local authorities access to resources under the best conditions and with complete transparency. The principles of solidarity and equity guide us. Convinced that we will go further together, we wanted an agile institution that would appeal to all authorities, from the largest regions to the smallest towns. We see profit as a means to optimize public spending, not as an end in itself. Through AFL, we support a local environment committed to addressing social, economic and environmental challenges. The AFL strengthens our power to act, to carry out projects locally, for today and tomorrow, for the good of the people who live there. We are proud to have a bank that expresses growth as we see it, ever more responsible and sustainable. We are Agence France Locale.”

For further information see: www.agence-france-locale.fr



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