AFL HALF YEARLY REPORT

From January 1, 2023
to June 30, 2023

EDITORIAL BY THE CHAIRPERSON OF THE MANAGEMENT BOARD

Yves Millardet, Chairperson of the AFL Management Board

"We are delighted to report that the AFL Group's rapid development has translated into an excellent set of financial results for the first half of 2023. This is a further endorsement of the corporate project launched in 2014, to create a banking institution dedicated to funding the public policy investments of French local authorities, with a strategy of providing competitive loans that serve the interests of our member local authorities while simultaneously making the institution itself ever more profitable, sound and efficient. Local authorities will continue to need considerable finance over the next few years to fund the energy transition and the AFL Group will play its part as financier at a time when local government may struggle to raise resources due to the radical shift in the European Central Bank's monetary policy".

KEY FIGURES AT JUNE 30, 2023

650
Member local authorities

€274
million of pledged capital

€7,5
billion of loans granted since the creation of AFL

€12,1
million of net banking income

€3,9
million of gross operating income

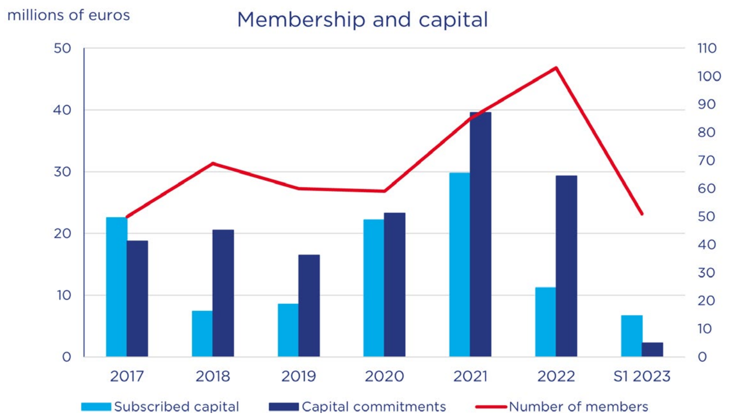
€2,8
million of net income

ACTIVITIES DURING THE FIRST HALF-YEAR 2023

MEMBERSHIPS

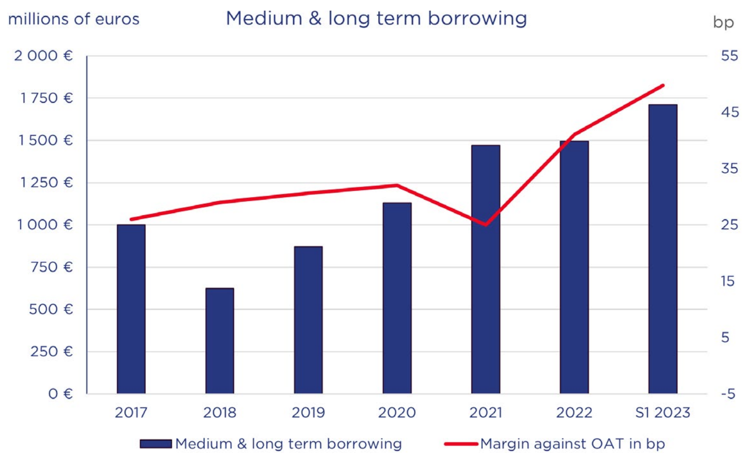
In the first half of 2023, 51 new memberships were recorded, bringing the total membership to 650 local authorities as of June 30, 2023.

The new members consist of: 1 union, 3 municipality communities, 3 urban communities and 44 municipalities of various sizes. **In total, among its members, the AFL Group has 6 regions, 14 metropolis areas 12 departments, 139 EPCIs (groupings of municipalities) and 493 municipalities.**



RESOURCES

In the first half of 2023, AFL raised €1.7 billion in resources on excellent terms, while dealing with market pressure for wider margins. This sum was raised through a mix of syndicated issues and private placements. Two euro-denominated syndicated issues were held during the period, one at 7 years and the second, for the first time since AFL was created, at 15 years. It also held a tap of the existing sterling-denominated issue. Finally, there were several private placements including 3 in euros at 15 years thus helping ensure AFL's balance sheet is matched by appropriate funding resources.



The average cost of resources raised was a margin of 49.8 basis points over the French government bond curve (OAT). As of June 30, 2023, more than 80% of AFL's 2023 borrowing program has been completed.

LOAN PRODUCTION

AFL continued the rapid growth of its loan production in the first half-year of 2023, issuing a total of €525 million over the period.

At June 30, 2023, cumulative loan production (since the creation of AFL in 2015) amounted to €7.5 billion.

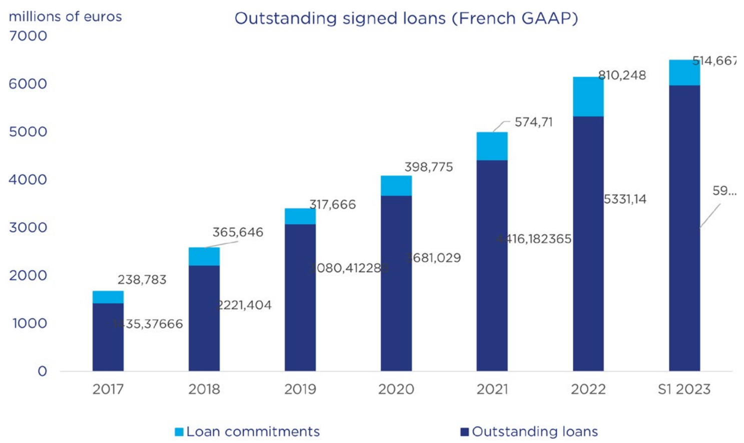


Table of contents

GLOSSARY

ACC	Additional Capital Contribution
ACPR	Autorité de Contrôle Prudentiel et de Résolution (French Prudential Supervision and Resolution Authority)
AFL	Agence France Locale
AFL – ST or ST	Agence France Locale – Société Territoriale, the parent company of Agence France Locale
Agence France Locale Group or AFL Group	The Group comprising Agence France Locale – Société Territoriale and Agence France Locale
ALM	Asset and Liability Management
ALT	Average lifetime
AMF	Autorité des Marchés Financiers (French Financial Markets Authority)
ARC	Audit and Risk Committee
CAVC	Corporate added-value contribution
CET1	Common Equity Tier One
DTA	Deferred tax assets
DTL	Deferred tax liabilities
EAPB	European Association of Public Banks
ECB	European Central Bank
ECP	Euro Commercial Paper – short term corporate securities
EMTN	Euro Medium Term Notes - bonds
EPCI	*Établissement public de coopération intercommunale* (Groupings of municipalities)
FGTC	French General Tax Code
GOP	Gross operating income
GRC	Global Risk Committee
HQLA	High quality liquid assets
ICC	Initial Capital Contribution
ICC	Internal Control Committee
IFRIC	IFRS Interpretations Committee
IMR	Initial margin requirement
LCR	Liquidity Coverage Ratio
Local authority	Local and regional authorities, groupings of such authorities and other local public institutions
LPE	Local public entity
Medium- to long-term loan	Loan granted by AFL to a Member with an initial term of more than 364 days
Members	Local authorities whose applications for membership have been completed and which have therefore become shareholders in AFL-ST
NBI	Net banking income
NDS	Negotiable debt securities
NI	Net income
NIM	Net interest margin
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OAT	*Obligations Assimilables du Trésor* (French Treasury bonds)
RRD	Recovery and Resolution Directive
RWA	Risk weighted assets
SaaS	Software as a Service
TL-TRO	Targeted longer-term refinancing operations
TPE	Territorial public entities

HALF-YEAR ACTIVITY REPORT

1. Development strategy and model

Authorized by law no. 2013-672 of July 26, 2013, on the separation and regulation of banking activities and created on October 22, 2013, the Agence France Locale Group ("**AFL Group**") is organized around a dual structure consisting of, on the one hand, Agence France Locale - Société Territoriale ("**AFL-ST**", the parent company with the status of financial company) and, on the other hand, of Agence France Locale ("**AFL**", the subsidiary, a specialized credit institution).

1.1. A robust structure

AFL is an investment financing facility for local authorities in which they are the exclusive shareholders through Société Territoriale (AFL-ST), the majority shareholder and over 99.9% owner of AFL.
The optimization of financing costs in the capital markets is based on AFL's high credit rating, which is built on prudent financial policies, the quality of its balance sheet assets and a dual mechanism of explicit and irrevocable first-demand guarantees.

- On the one hand, the "**Member Guarantees**" granted by local authorities that are AFL-ST shareholders to any financial creditor of AFL providing the possibility to call on the local authority shareholders directly as guarantors. The amount of this guarantee is intended to be equal to the total amount of outstanding loans with a maturity of more than 364 days contracted by each member local authority with AFL. Thus, a creditor can call the guarantee from several local authorities. A local authority whose guarantee has been called by a creditor has the obligation to inform AFL-ST, which may, in turn, call all other member guarantees in proportion to the amount of their credits contracted with AFL. This guarantee is organized to create solidarity between the member regional and local authorities in the payment of the amounts due while the liability of each is limited to the size of its own outstanding medium- to long-term loan. In order to have sufficient liquidity, the amounts borrowed by AFL are intended to be higher than the amounts it lends to members, and the securities issued by AFL are not fully covered by the Member Guarantee mechanism:

    - In general, approximately 70% of the total amount of AFL borrowings issued on the markets is used to provide medium- and long-term loans to members;

    - As a result, almost 30% of the total amount of borrowings issued by AFL on the markets are retained, both to ensure AFL's liquidity in accordance with its regulatory obligations and good management practices, and to offer lines of credits to members under the conditions and within the limits set by AFL's financial policies.

- On the other hand, the "**ST Guarantee**" granted by AFL-ST to any financial creditor of AFL, which allows creditor(s) to call on AFL-ST directly as guarantor. The ceiling of the "ST Guarantee", which is set by the AFL-ST Board of Directors, was raised to €15 billion by the Board of Directors on June 13, 2022. It covers all of the commitments of its AFL subsidiary to its beneficiary creditors. At June 30, 2023, the amount of guaranteed securities issued by AFL and corresponding to debt issues and financial transactions with counterparties, amounted to €11.06 billion.

This two-part mechanism allows the beneficiaries of these guarantees[1] to have both the option of (i) calling on the local authorities that are Group members as guarantors, and/or (ii) being able to operate the "ST Guarantee" which offers the advantage of simplicity in the form of a single point of contact.

It should also be noted that, in compliance with its statutory provisions, the "ST Guarantee" may be called on behalf of the creditors at the request of AFL under the terms of a protocol between the two companies. The main purpose of this call mechanism is to be able to mobilize guarantees on behalf of creditors to prevent non-compliance with the regulatory ratios or an event of default.

1.2. A highly prudent liquidity policy

AFL has a liquidity policy with three objectives:

[1] The guarantee models are accessible on the AFL Group's internet site: www.agence-France-locale.fr

- The construction of a sufficient liquidity reserve to maintain its operational activities, in particular its lending activities, for a period of twelve months; this reserve is largely made up of liquid assets that can be used for the regulatory Liquidity Coverage Ratio (LCR);
- A funding strategy that encourages a diversity of debt instruments (including benchmark issues in euros traded in regulated markets, including Sustainable Bonds, public issues in foreign currencies, private placements, etc.) as well as the diversity of the investor base, both by type and geographical area;
- In order to reduce its liquidity price risk, AFL strictly monitors the maturity gaps. It has undertaken to limit the difference in average maturity between its assets and liabilities to 12 months, with the possibility of extending it to 24 months over a maximum period of six months.

Regarding access to liquidity, it should be noted that AFL has a credit line with the Banque de France, available at any time, through the mobilization of receivables from local authorities that AFL carries on its balance sheet, via the TRiCP (*Traitement Informatique des Créances Privées* - Data Processing of Private Claims) system.

1.3 Rating of bonds issued by AFL

Since its creation, AFL has benefited from an excellent rating, recognizing the solidity of the model it embodies.

AFL's bond issuance program is equally rated by Moody's and Standard & Poor's rating agencies.

Rating/Rating agency	Moody's	Standard & Poor's
Long term	Aa3, stable outlook	AA-, stable outlook
Short-term rating	P-1, stable outlook	A-1+, stable outlook

2. Review of activities in the first half of 2023 and significant events

2.1 Economic and financial environment

Economic and market situation

After 2021 brought a sharp economic rebound from the 2020 Covid-19 crisis, 2022 was dominated by three events: Russia's attempted invasion of Ukraine, strong inflationary pressure across the globe and a drastic change of monetary policy by all the major central banks.

The first half of 2023 has been marked by persistent challenges, most notably the ongoing war between Russia and Ukraine with its tragic consequences for military and civilian casualties, wounded and the destruction of infrastructure. Secondly, central banks, including the European Central Bank, have continued the tightening of monetary policies initiated in 2022. However, on the economic and inflation front, the situation has shown signs of improvement, with a fall in energy prices, easing of constraints on supplies and a strong labour market. The European economy has again shown its resilience in the first half of 2023, and as of June 30 fears of recession have receded. The European Commission's latest growth forecasts for EU countries' economies are for 1% in 2023 and 1.7% in 2024, with growth of 1.1% and 1.6%, respectively, in the euro zone. Inflation forecasts have stabilized, albeit at a still high level of 6.7% in 2023 and 3.1% in 2024 (compared to 9.2% recorded in 2022) for the European Union and 5.8% and 2.8%, respectively, in the euro zone (8.4% in 2022).

Following Fitch's downgrading of France's long-term sovereign debt rating to AA- on April 28, 2023, and Standard & Poor's maintenance of its negative outlook, the spring brought greater volatility in French government debt and that of its public sector institutions.

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Financial position of local authorities

The healthy finances of local authorities at end-2021 was accompanied by increasing diversity in the local world. Local authorities in 2022 had to deal with an environment marked by, on the one hand, the consequences of the Russo-Ukrainian war, prompting a deterioration in the economic outlook and high inflation, and, on the other, by reforms to the local authorities themselves such as the increase in the salary levels of regional civil servants and major changes to the structure of local taxes. Against this background, the direction of local authorities' finances depends, first, on the trends in their operating receipts and expenses and, second, on their borrowing costs and constraints on local investment.

The healthy state of local authorities' finances in 2022 was confirmed in June and July 2023 by a number of institutional reports, including AFL's Barometer of the Financial Health of Local Authorities, June 2023, the OFGL's (*Observatoire Des Finances et de la Gestion Publique Locale*) report on Local Authority Finances in 2023, July 2023, and the Court of Auditors' Local Public Finances report, Volume 1, July 2023).

This general picture, however, conceals a number of disparities between and within different segments of local authorities.

2022 was a relatively atypical year for local authorities. The price rises that followed the emergence from Covid and outbreak of the Russo-Ukrainian war, imposed significant costs on local authorities for energy and everyday consumables. This high inflation was however contradictory in its impacts: it forced local authorities to meet high expenses but at the same time boosted tax revenue, particularly VAT receipts. The result was a sharp jump in both operating expenses and revenues.

This generally benign picture is the result of:

- Sharp movements in operating finances:
    - Healthy operating receipts – particularly from taxes such as TFPB (property tax), VAT, DMTO (property transfer tax), etc.
    - Coupled with operating expenses strongly impacted by inflation and various measures relating to the remuneration of public sector employees (inflation indexing, measures affecting certain categories of civil servant, etc.).
- Gross savings that are still high and considerably above those of previous years,
- Still growing capital expenditure,
- Generally prudent levels of borrowing.

2.2 Loan production

AFL's medium- and long-term loan production in the first half of 2023 amounted to €525 million compared to €215 million in the first half of 2022, for a total of 179 loan agreements compared to 98 in the first half of 2022. This latest year-on-year increase in production volume is attributable to two factors: the steady increase in the number of member local authorities in the AFL Group and sustained strong investment by French local authorities. The average maturity of medium- to long-term loans granted in the first half of 2023 was 19.7 years compared to 19.5 years in the first half of 2022, almost unchanged year-on-year. This high average term is notably explained by the increase in the number of unions borrowing from AFL, as they generally make long-term investments. In addition to medium- and long-term loans, €97 million in lines of credits were produced, compared with €107 million in the first half of 2022.

At June 30, 2023, outstanding loans, expressed in accordance with French accounting standards, amounted to €5,982 million in loans provided and €515 million in financing commitments, making total commitments of €6,497 million, which also includes credit lines.

2.3 Membership

- ### Continuous development

The AFL Group had 650 members at the end of the half-year ended June 30, 2023.

51 new local authorities joined the AFL Group during the past half-year. At September 25, 2023, 650 local authorities are shareholders, including 6 regions, 12 departments, 493 municipalities and 139 groupings, including 14 cities, 6 territorial public entities, 5 urban communities, 34 suburban communities, 51 municipality communities and 29 unions.

Memberships completed during the first half of 2023 allowed for an increase in pledged capital[2] to €274.5 million. As of June 30, 2023, the share capital of AFL-ST stood at €224,310,300 and that of AFL at €214,100,000.

The table below shows the breakdown of AFL-ST's share capital and voting rights by category of local authority as of June 30, 2023 after the 36th capital increase.

Figures in € thousands	Number	Committed capital	Paid-up capital	Voting powers
Region	6	68 187	30 434	13,57%
Department	12	39 059	35 256	15,72%
Municipality	493	58 091	54 704	24,39%
EPCI (groupings of municipalities)	139	109 112	103 916	46,33%
Metropolis	*14*	*73 565*	*71 650*	*31,94%*
Territorial public entities	*6*	*6 077*	*5 772*	*2,57%*
Urban communities	*5*	*3 546*	*3 546*	*1,58%*
Suburban communities	*34*	*11 064*	*8 865*	*3,95%*
Municipality communities	*51*	*2 466*	*2 015*	*0,90%*
Other groupings	*29*	*12 394*	*12 067*	*5,38%*
TOTAL	650	274 449	224 310	100%

At June 30, 2023, the share capital of AFL was€214,100,000, composed as follows: Agence France Locale – Société Territoriale holds 2,140,999 shares (= number of voting rights) and Métropole de Lyon, one share in the capital of AFL. Under the legal arrangements governing the the AFL Group, only AFL-ST is permitted to subscribe to AFL's capital, and the stake held by the Lyon Metropolitan Area is diluted whenever there is a capital increase within the AFL Group.

2.4 AFL's activities on the capital markets

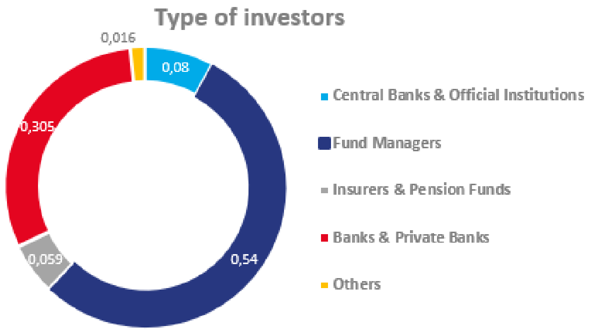
2.4.1 The Company's borrowing program

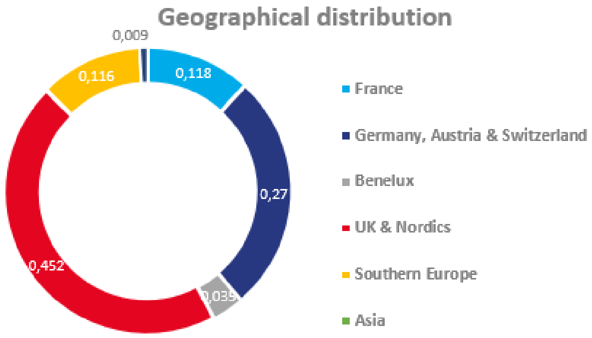
The Supervisory Board approved AFL's medium- and long-term borrowing program for 2023 on December 5, 2022, with the volumes set as follows: a maximum of €2 billion of medium- and long-term borrowing via the EMTN program, €500 million in pre-financing for 2024 and a €500 million limit on issues under the ECP program.

2.4.2 Bond issues as part of the EMTN program

In January 2023, AFL held a successful syndicated issue for €750 million at 7 years' maturity. This was the second benchmark transaction of this size since the agency was created, after the initial issue in 2015, and was notable for the large majority of international investors taking it up and their diversity (see charts).

[2] The pledged capital means the amount of capital contributions voted by the local authorities at the time they joined AFL-ST. For each local authority, the pledged capital corresponds to a capital commitment, the amount and the terms of payment of which are set out in the Company's Articles of Association.





In May 2023, looking to extending the duration of its debt and appropriately match its balance sheet, AFL held its first €500 million syndicated bond issue dated 15 years. The issue was placed on excellent terms and means AFL continues to diversify its investor base to new institutions, notably pension funds and life insurers. The transaction was complemented by 3 private placements at 15 years which raised a combined total of €148 million.

Currency diversification was maintained by two further taps of the sterling-denominated bond issue, originally launched in 2022, raising a combined £160 million (€181 million). Also, a private placement denominated in US dollars was renewed for €125 million.

In another first, in June 2023 AFL issued a €17 million bond dated 15 years but callable after 5 years. These instruments are useful as they allow the agency to raise long-term funding at optimal cost and to diversify its investor base.

Since 2022, the annual borrowing programme has been enriched by the need to refinance maturing debt issued by AFL in previous years. In the first half of 2023 €830 million of such debt was refinanced.

Overall, AFL raised €1,711 million in first half of 2023, at a margin of 49.8 basis points over the OAT and so met 80% of its borrowing requirement for 2023.

In January 2023, AFL published its second report on its sustainable debt issuance programme. This was launched in 2020 and by the end of the first half of 2023 was able to refinance €1.215 billion of sustainable capital spending by member local authorities.

2.4.3 Money market issues as part of the ECP (*Euro Commercial Paper*) program

In addition to AFL's medium- to long-term borrowing program, it was authorized to issue €500 million of commercial paper under its 2023 ECP program, a similar amount to that for 2022.

AFL held several ECP issues under this program during the period in order to optimize its cash management. All these transactions were exclusively denominated in euros and raised a total of €415 million.

2.5 Governance

- AFL Supervisory Board

At June 30, 2023, the composition of the AFL Supervisory Board was as follows:

	Independence[3]	Specialized committees		
		Audit and Risk Committee	Appointments, Remuneration and Corporate Governance Committee (ARCGC)	Strategic Committee
Sacha Briand Chairperson of the Board				
Marie Ducamin Vice-Chairperson of the Board				
Lars Andersson	▲			■
Victoire Aubry	▲	◊		
François Drouin	▲	■		
Nicolas Fourt	▲			◊
Delphine Cervelle				◊
Olivier Landel		◊	◊	◊
Rollon Mouchel-Blaisot			◊	
Sophie L'Hélias	▲		■	
Marie Lemarié	▲	◊		
Sophie Souliac	▲		◊	
Julien Denormandie	▲			◊

■ Chairperson of the Committee
◊ Committee members

3. Results of the period for AFL

The half-year financial statements were prepared according to French GAAP, with no change compared to the previous financial year and in compliance with the provisions of the general charter of accounts for credit institutions. Additional explanations are given in the notes to the half-year financial statements.

[3] The independence of the members of the Supervisory Board is established with regard to the criteria of the AFEP-MEDEF Code, as detailed in the report on corporate governance appended to the annual report.

AFL has also prepared IFRS financial statements, on a voluntary basis, for the period ended June 30, 2023 which are discussed in this report.

3.1 AFL parent company financial statements under French GAAP

The first half of 2023 saw a major increase in the net interest margin (NIM) to €12,830 thousand compared to €7,636 thousand at June 30, 2022. This increase is due to three factors: a rapid expansion of the loan book reflecting AFL's continuous development, higher remuneration on equity capital placed in variable-rate assets, which benefit from higher short rates, and higher remuneration on deposits in the liquidity reserve. In addition to interest income the Group also booked commitment and non-use fees on lines of credits amounting to €76 thousand (compared to €94 thousand in the first half of 2022), capital gains on the sale of short-term investment securities of €450 thousand, after taking into account the hedging relationship disposal gain (compared to €1,006 thousand in the first half of 2022) and a €215 thousand reversal of impairment[4] on investment securities.

This resulted in net banking income of €13,464 thousand at June 30, 2023, compared to €7,038 thousand at June 30, 2022.

The continuous rise in interest rates since June 2022 has restored the main items feeding into net interest margin. The rise in the 3-month Euribor has also increased the nominal return on fixed- and variable-rate loans and cash carry has turned positive again.

At June 30, 2023, interest income broke down as follows:

- €85.4 million of net interest income after hedging on the loan book for the first half of 2023, compared to €2.3 million in the first half of 2022. While the year-on-year growth of the loan book contributed to the rise interest revenue, the main reason for its substantial growth was the increase in short rates initiated by the European Central Bank, which raised its policy rates by 400 basis points between June 30, 2022 and June 30, 2023.

- €36.7 million of interest income net of hedging on assets in the liquidity reserve and collateral management in the first half of 2023, versus €5.2 million of interest expense over the period. This too was attributable to the rise in interest rates over the period, particularly remuneration of AFL's deposits with the Banque de France. These went from a negative 50 basis points at June 30, 2022, to earning a positive 4% at June 30, 2023.

- €109.3 million of interest expense net of hedging on debt outstanding on AFL's balance sheet, compared to €10.5 million interest income in the first half of 2022 when the negative interest rate environment meant that interest on this debt was booked as a gain.

During the period, management of the liquidity reserve portfolio generated income of €450 thousand from the disposal of short-term investment securities, net of the cancellation of rate-hedging instruments on the securities sold. For comparison, the first half of 2022 generated €1,006 thousand in net capital gains on disposals.

The €215 thousand reversal of provisions on investment securities, which then totalled €3,709 thousand at June 30, 2023, was due to a stabilization of credit margins which had widened in 2022 as rates rose.

As of June 30, 2023, general operating expenses, after subtracting re-invoicing and transfers of administrative expenses, were €7,693 thousand compared to €6,676 thousand as of June 30, 2022. They include €3,437 thousand of employee benefits expense compared to €2,821

[4] At the end of the reporting period, in application of the principle of prudence under French GAAP, investment securities are recorded on the statement of financial position at their acquisition cost or selling price at the end of the reporting period, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

thousand for the first half of the previous financial year and €4,256 thousand of administrative expenses after transfers and re-invoicing to Société Territoriale, compared to €3,855 thousand for the first half of 2022. This increase in administrative expenses primarily reflects an increase in taxes, including contributions to banking regulatory bodies, which were €1,132 thousand for the first half-year 2022 and €1,295 thousand in the first half of 2023, due to another increase in the 2023 contribution to the single resolution fund to €1,259 thousand from €1,094 thousand in 2022. Also contributing to the rise in administrative costs was a €236 thousand increase in external service costs, including a number of consultancy fees and marketing and communication expenses.

Income at June 30, 2023 takes into account depreciation and amortization expenses which amounted to €587 thousand at June 30, 2023 compared to €511 thousand at June 30, 2022. The increase reflects AFL's maintenance of its stable investment program year-on-year, mainly focused on developing its IT systems.

After depreciation and amortization, gross operating income at June 30, 2023 stood at €5,184 thousand, compared to -€150 thousand for the first half of 2022. After taking into account €230 thousand of corporate income tax, AFL's net income at June 30, 2023 showed a net profit of €4,953 thousand, compared to a -€150 thousand net loss at June 30, 2022. Note that the loss recorded in the first half of 2022 under French GAAP was principally due to the increase in impairment provisions on securities in the investment portfolio.

Transition from French GAAP to IFRS

Transition from French GAAP to IFRS (In thousands of euros)	30/06/2023
Net profit – French GAAP	**4 953**
IFRS restatements	
Cancellation of provisions for unrealized losses on investment securities	-215
Cost of risk	-71
Ineffective hedging of financial instruments	-1189
Deferred tax adjustments	-727
Other adjustments	87
Net income - IFRS	**2 838**

3.2 AFL financial statements according to IFRS

The first half of 2023 was marked by a big increase in net interest margin to €12,876 thousand compared to €7,655 thousand at June 30, 2022. This increase is due to the following three factors:

- The expansion in loans outstanding, largely due to the strong production of loans in 2022;

- The sharp rise in returns on equity capital placed in variable-rate assets; and
- The improvement in the cost of carry on cash as market expectations for rate hikes underestimated those actually enacted by the ECB.

In addition to interest income the Group booked commitment and non-use fees on lines of credits amounting to €76 thousand (compared to €94 thousand in the first half of 2022) and capital gains on the sale of short-term investment securities of €450 thousand, after taking into account the hedging relationship disposal gain (compared to €1,006 thousand in the first half of 2022). Finally, hedge accounting generated an expense of €1,189 thousand.

This resulted in net banking income of €12,119 thousand at June 30, 2023, compared to €9,558 thousand at June 30, 2022.

The continuous rise in interest rates since June 2022 has restored the main items feeding into net interest margin. The rise in the 3-month Euribor has also increased the nominal return on fixed- and variable-rate loans and cash carry has turned positive again.

At June 30, 2023, interest income broke down as follows:

- €85.4 million of net interest income after hedging on the loan book for the first half of 2023, compared to €2.3 million in the first half of 2022. While the year-on-year growth of the loan book contributed to the rise in interest revenue, the main reason for its substantial growth was the increase in short rates initiated by the European, which raised its policy rates by 400 basis points between June 30, 2022 and June 30, 2023.

- €36.8 million of net interest income after hedging on assets in the liquidity reserve and collateral management in the first half of 2023 versus €5.2 million of interest expense for the first half of 2023. This too was attributable to the increase in interest rates over the period, particularly remuneration of AFL's deposits with the Banque de France. These went from a negative 50 basis points at June 30, 2022, to earning a positive 4.25% at June 30, 2023.

- €109.3 million of interest expense[2] net of hedging on debt outstanding on AFL's balance sheet, compared to €10.5 million in the first half of 2022, when the negative interest rate environment meant that interest on this debt was booked as a gain.

During the period, management of the liquidity reserve portfolio generated income of €450 thousand from the disposal of securities at fair value through other consolidated income, net of the cancellation of rate-hedging instruments on the securities sold. For comparison, the first half of 2022 generated €1,006 thousand in net capital gains on disposals.

At June 30, 2023, the net income from hedge accounting amounts to €2,708 thousand, compared to €3,153 thousand at June 30, 2022. It is made up of two components; on the one hand, income from the termination of interest rate hedges related to the disposals of securities indicated above for €3,898 thousand, and on the other hand, the sum of the differences in the fair value of the hedged items and their hedging instruments for -€1,189 thousand. Among these differences, -€190 thousand relate to the valuation differences on instruments classified as macro-hedges and -€999 thousand to the valuation differences of instruments classified as micro-hedges and denominated in euros. Thus, latent valuation differences remain as hedge inefficiencies between the hedged items and the hedging instruments, one of the components of which stems from a market practice leading to a valuation asymmetry between, on the one hand, hedging instruments collateralized on a daily basis and discounted on an €STR yield curve and, on the other hand, hedged items discounted on a Euribor yield curve. It should be noted that this is, however, an unrealized income item.

As of June 30, 2023, general operating expenses represented €7,769 thousand compared to €6,601 thousand as of June 30, 2022. They account for €3,429 thousand in employee benefits expense compared to €2,802 thousand for the first semester of the previous financial year. General operating expenses also include administrative expenses, which amount to €4,340 thousand after re-invoicing to Société Territoriale compared to €3,798 thousand as of June 30, 2022. This increase of €542 thousand in general operating expenses primarily reflects an increase in taxes, including contributions to banking regulatory bodies, which amounted to €1,132 thousand for the first half-year 2022 and €1,295 thousand in the first half of 2023, due to another increase in the 2023 contribution to the single resolution fund to €1,259 thousand from €1,094 thousand in 2022.

Income at June 30, 2023 takes into account the depreciation, amortization and impairment of intangible assets and property, plant and equipment, which amounted to €484 thousand at June 30, 2023 compared to €579 thousand at June 30, 2022. This relative stability reflects AFL's maintenance of regular and significant investment spending on its IT systems.

After depreciation and amortization, gross operating income at June 30, 2023 stood at €3,866 thousand, compared to €2,378 thousand for the first half of 2022.

The cost of risk relating to ex ante depreciations for expected credit losses (ECL) on financial assets under IFRS 9 represents a charge of €71 thousand over the first half of 2023 compared to €391 thousand in the first half of 2022. This fall in the cost of risk stems from an improvement in the assumptions used for the construction of the economic scenarios by asset class to take into account the stabilisation in the macroeconomic and geostrategic environment. The stock of impairment provisions stood at €1,347 thousand as of June 30, 2023.

After deducting the cost of risk resulting from the application of IFRS 9, operating income stands at €3,795 thousand at June 30, 2023, compared to €1,987 thousand at June 30, 2022.

Lastly tax expense in 2023 totalled €957 thousand, as follows:

- €230 thousand in outstanding tax expense due after application of tax loss carryforwards on a company basis;
- €727 thousand in deferred tax expense, comprising a €1,066 expense from the reduction in deferred tax assets following the capitalisation of past tax losses and €339 thousand of deferred tax income from restatements on consolidation, mostly relating to inefficient hedge expenses.

After taking into account deferred tax expenses, net income at June 30, 2023 amounted to €2,838 thousand compared to €1,397 thousand at June 30, 2022.

3.3 Assets as at June 30, 2023 (IFRS)

AFL's assets are mainly composed of loans to local authorities, securities resulting from investing the liquidity reserve, AFL's bank accounts, margin calls made to swap counterparties and the fair value of hedging derivative instruments. At June 30, 2023, AFL's assets consisted mainly of loans to member local authorities. Deposits with the Banque de France constitute a buffer, resulting from several fundraisings during the period, pending future disbursements as part of the production of loans, the pace of which generally increases during the third and fourth quarters. At June 30, 2023, the percentage of liquidity in relation to the total statement of financial position amounted to 27%, compared to 29% at December 31, 2022.

Excerpts of main assets (IFRS)

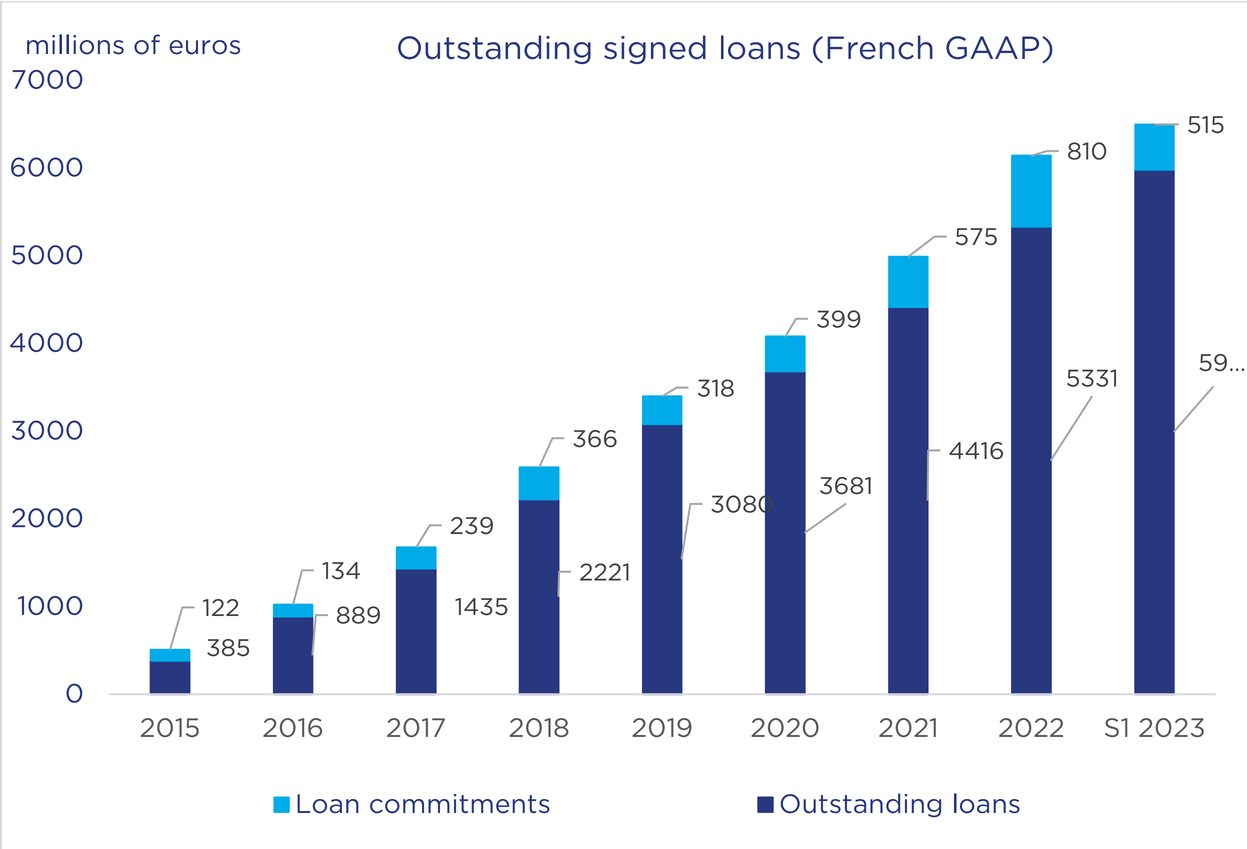
In thousands of euros	30/06/2023	31/12/2022	30/06/2022
Loans and customer transactions	5 369 776	4 690 415	4 166 899
Securities at fair value through other comprehensive income	698 917	707 306	876 968
Securities held at amortized cost	322 129	256 891	258 678
Loans and receivables due from credit institutions	88 652	93 151	250 273
Margin calls	156 176	177 604	89 930
Cash and central banks	1 171 639	1 134 411	748 956
Hedging derivative instruments	851 785	912 259	655 689

3.3.1 Loans to local authorities

AFL exclusively lends to French local authorities that are shareholders of Société Territoriale. As at June 30, 2023, the loan portfolio recognized among assets on AFL's statement of financial position represents an outstanding amount of €5,369 million compared to €4,690 million at December 31, 2022 after taking into account the impact from changes in interest rates on hedge accounting (change in the fair value of the hedged rate component). This change reflects the making available during the first half of 2023 of part of the loan production of 2022 financial year, which had not yet been disbursed and was carried off balance sheet at December 31, 2022, plus new loans made during the period under review. At June 30, 2023, off-balance sheet financing commitments amounted to €515 million compared to €810 million at December 31, 2022. As a result, the total credit commitments to local authorities carried by AFL amounted to €5,884 million at June 30, 2023, compared with €5,501 million at December 31, 2022.

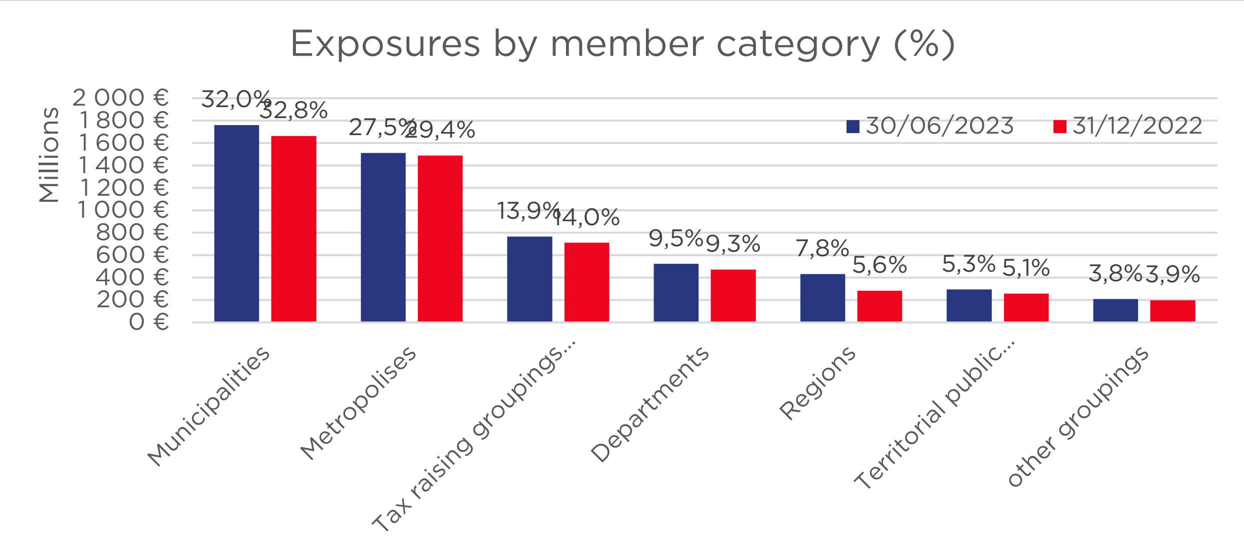
The change in the average portfolio of signed medium- and long-term loans, measured as outstanding principal (in accordance with French GAAP), is shown in the graph below.

Change in outstanding loans (in millions of euros)



As at June 30, 2023, 73.4% of the loan portfolio consisted of exposures to the entire municipal block, compared with 76.2% at December 31, 2022. Exposure to departments increased from 9.3% at December 31, 2022 to 9.5% at June 30, 2023, and exposure to regions went from 5.6% at December 31, 2022 to 7.8% at June 30, 2023. Lastly, exposure to Territorial public entities was near stable at 5.3% and that to the mixed unions which joined as members of the AFL Group in 2020 was also stable at 3.8%.

Breakdown of exposures by type of local authority member



Among the other characteristics of the loan portfolio, it is worth noting the stability of the residual maturity of the outstanding credit, which amounts to 15.8 years at June 30, 2023.

3.3.2 Liquidity reserve

Other assets in the statement of financial position mainly include the liquidity reserve that corresponds to the portion of the resources not yet distributed in the form of credits and kept for the purpose of liquidity of the credit institution, in accordance with the regulatory obligations, AFL's liquidity policy guidelines and good management practices.

AFL's liquidity reserve primarily covers the institution's cash requirements, which are generated by the credit activities, the debt service and the margin calls that AFL may have to handle due to the significant use of interest rate and currency risk hedging instruments in accordance with its financial policies and management objectives. This liquidity is invested and may be mobilized under any circumstances.

At June 30, 2023, the assets comprising the liquidity reserve amounted to €2,281 million, compared to €2,192 million at December 31, 2022, an amount corresponding to almost 12 months of cash flow requirements.

The liquidity reserve is divided into two main segments:

- A segment invested in very short-term instruments, and mainly comprising deposits on nostro accounts with Banque de France of €1,260 million; and
- A segment consisting mainly but not exclusively of HQLA-accredited securities[5], due to their high rating and high degree of liquidity of €1,021 million.

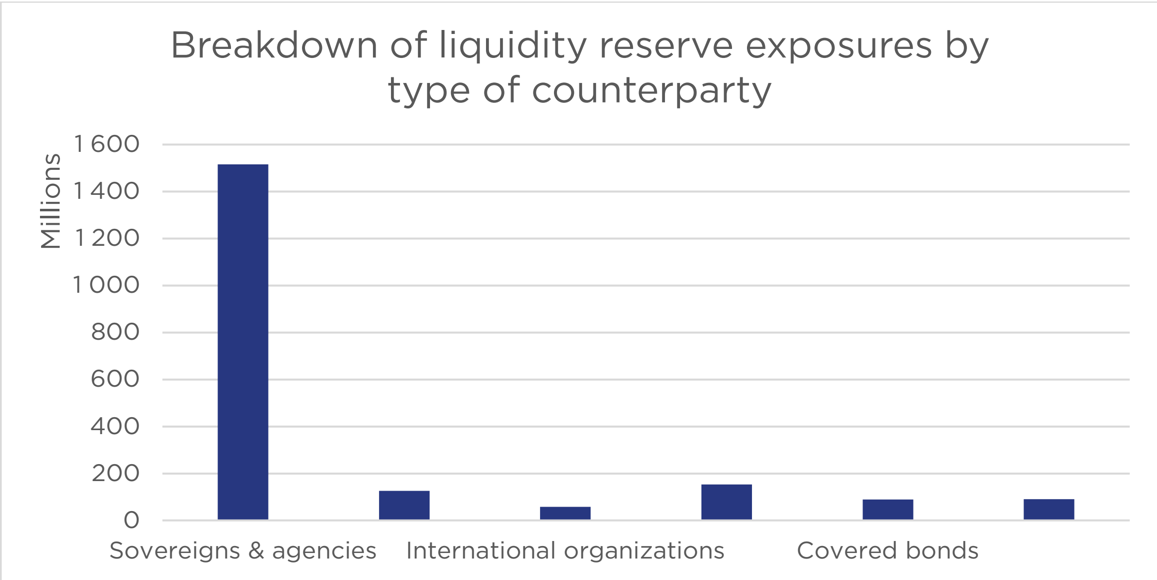
Due to the investments carried out as part of the liquidity reserve, AFL supports a credit risk on the issuers of assets that it acquires or exposures that it takes. However, this credit risk is limited in view of the quality of the counterparties, which all enjoy the best rating levels from the major rating agencies. At June 30, 2023, 87.7% of the liquidity reserve was comprised of so-called "HQLA" assets, heavily dominated by deposits with the Banque de France and securities issued by sovereigns and public agency issuers as shown in the graph below. The other exposures consisted mainly of nostro accounts and a few exposures in securities on the banking sector. The securities acquired as part of the liquidity reserve are issued or guaranteed

[5] High Quality Liquid Assets.

by the French state, or states of the European Economic Area or third countries with very high credit ratings, or supranational institutions with the highest ratings, as well as securities issued by financial institutions, some of which are guaranteed by European states, and securitized bonds.

The graphs below show the breakdown of liquidity reserve exposure by type of counterparty, by country, by rating and by risk class at June 30, 2023.

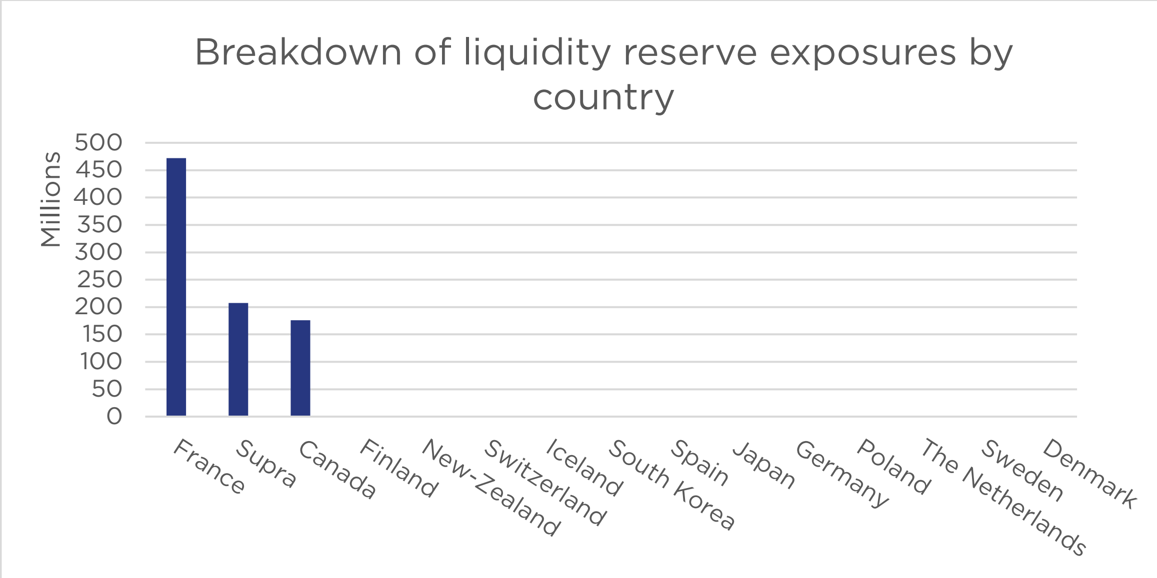
Breakdown of liquidity reserve exposures by type of counterparty[6]



As shown in the graph below, the assets making up the liquidity reserve are geographically diversified with a significant share on French counterparties. Note however that the French portion includes term deposits and Nostro accounts but excludes Banque de France deposits because of their weight in the liquidity reserve.

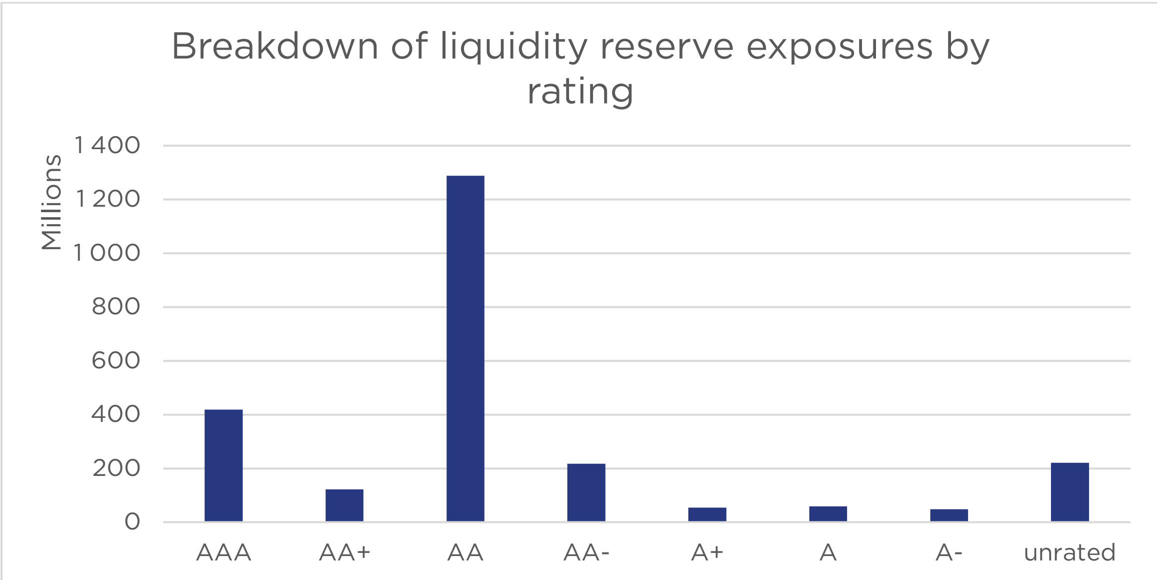
[6]Development banks or public development credit institutions (defined by the European Commission's Delegated Act on the LCR liquidity coverage ratio of October 10, 2014) are categories of financial institutions eligible for the HQLA rules in view of their particular characteristics.

Breakdown of liquidity reserve exposures by country at June 30, 2023



The rating of all the exposures that AFL carries in its liquidity reserve remains very high, with 84.3% rated AA- and above.

Breakdown of liquidity reserve exposures by rating



3.3.3 Margin calls and valuations of hedging swaps

Excluding loans to local authorities and assets in the liquidity reserve, the balance of financial assets on AFL's statement of financial position is made up of the positive fair value of interest rate and foreign exchange swaps and the associated margin calls. AFL clears almost all of its interest rate swaps with the clearing house LCH Clearnet, and executes its foreign exchange swaps with counterparty banks. Margin calls paid by AFL amounted to €156.2 million at June 30, 2023, compared with €177.6 million at December 31, 2022. They mainly correspond to foreign exchange swaps contracted by AFL to hedge its currency exposures, and are explained by the depreciation of the hedged currencies against the euro.

Margin calls received by AFL amounted to €81.1 million at June 30, 2023, compared with €102.4 million at December 31, 2022. This reflects the steep increase in interest rates over the last 12 months, which has boosted the value of hedging swaps, it being understood that AFL is a structural fixed-rate payer, which is why it receives collateral on interest rate hedging swaps. These margin calls mainly correspond to interest rate swaps cleared with the LCH clearing house.

In transactions settled through the clearing house, it is necessary to take into account the guarantee deposits (IMR) hedged by securities, which totalled €58.2 million at June 30, 2023.

At June 30, 2023, the fair value of AFL's hedging swaps broke down as follows:

	30/06/2023	
In thousands of euros	Nominal value	Market value
Interest rate swaps	14 324 663	74 050
Currency swaps	1 235 429	-155 638
Total	15 560 092	-81 588

3.3.4 Securitization

AFL has no exposure to securitization.

3.4 Debts and capital as at June 30, 2023 (IFRS)

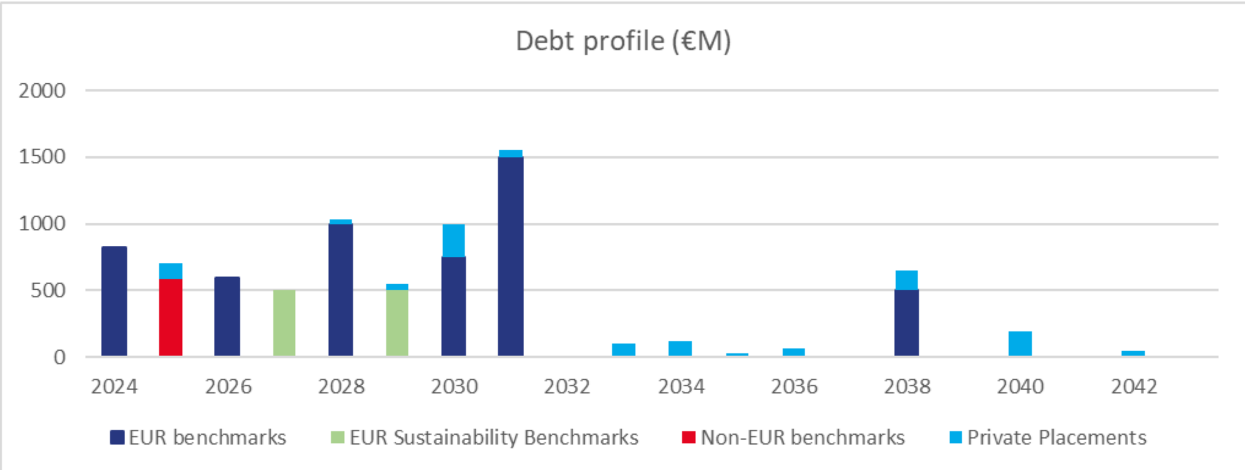
In addition to equity capital, AFL's liabilities are mainly composed of bond issues, which have been executed since the beginning of AFL's banking activities and not amortized in the meantime. Liabilities may also include debt securities issued under the AFL's ECP program.

As at June 30, 2023, the net carrying amount of debt issued by AFL stood at €7,335 million, after taking into account, in the amortized cost, the consequences of the changes in interest rates since issue date, under the rules of hedge accounting. The carrying amount of the debt portfolio as of December 31, 2022 was €6,589 million. This includes the repayment on March 20, 2023 of a €750 million issue dating from 2016 and a US$100 million private placement.

At June 30, 2023, the outstanding medium- and long-term debt had an average maturity of 6.6 years.

In addition to these medium- and long-term debt instruments, short-term debt securities denominated in euros were outstanding for a total of €350 million at June 30, 2023.

AFL's debt maturity profile is shown in the graph below:



After the two capital increases held in the first half of 2023 as 51 new local authorities became AFL-ST members, the amount of AFL subscribed capital totalled €214,100,000 at June 30, 2023 compared to €207,600,000 at December 31, 2022. After taking into account retained earnings, AFL's equity capital amounted to €194.9 million at June 30, 2023 compared with €187.3 million at December 31, 2022.

Excerpts of the main liabilities

In thousands of euros	30/06/2023	31/12/2022
Debt securities issued	7 335 281	6 589 082
Equity	194,9	187,3

4. Description of the main risks and uncertainties to which the Company is confronted

This section describes the main risk factors which could, according to AFL's estimates at the date of this report, impact AFL's activity, financial position, reputation, results or outlook.

The risks specific to the business are presented by main categories, in accordance with Article 16 of Regulation (EU) No. 2017/1129 known as "Prospectus 3" of June 14, 2017, as amended.

Within each of the risk categories listed above, the risk factors that AFL considers the most important at present are listed first. The exposure figures presented provide information on AFL's degree of exposure but are not necessarily representative of future risk trends.

4.1 Strategic risk

A. The global economic, financial and political environment in countries and markets where AFL does business or raises finance may have a significant impact on AFL's business and financial position and net income

AFL, which is a specialized credit institution exclusively financing French local authorities, could be strongly affected by a significant deterioration in the economic, financial, political or geostrategic environment of the countries and markets in which it carries out its activities, in which it refinances itself or in which it invests its cash.

In September 2023, the Russo-Ukrainian war seems to have reached a deadlock. This conflict is speeding up a process of global fragmentation between two blocks with opposing visions. Any change in the situation could destabilize Europe, AFL's main area of activity.

Invested mainly in sovereign debt securities, supranational entities or state agencies with high credit ratings, AFL's liquidity portfolio, which is also diversified, has no exposure to Russian or Ukrainian issuers and exposure of less than €55 million to issuers in countries neighboring Russia or Ukraine. AFL's liquidity position is satisfactory: the liquidity reserve amounts to more than €2.4 billion at June 30, 2023, of which €1.3 billion in deposits only, thus enabling it to cover close to 12 months of activity without any call on the market.

In September 2023, despite central banks significantly increasing interest rates and halting their asset purchase programs, inflation in Europe and France is proving persistent and could last for some time powered by wage-price spirals. The prospects of a recession seem high. Purchasing managers' indices (PMI) for July and August 2023, which are leading indicators for France and the euro zone, are below 50. A recession in Europe and France would result in lower economic activity, a rise in unemployment that could drive up public sector deficits and further boost sovereign debt already swollen by the Covid crisis.

On April 28, 2023, rating agency Fitch downgraded the French government's long-term rating from AA to AA-. Also, S&P placed it on negative watch. A downgrade of France's sovereign rating cannot be ruled out.

This change in the environment affects the risks AFL faces in a number of ways:

- Inflation increases the operating costs of economic actors, states, local authorities and AFL. This puts pressure on their finances and could affect AFL's profitability.
- The interest rate movements coupled with rising deficits and public sector debt helped to push up the spreads paid by French sovereign and quasi-sovereign issuers in 2022. Stubborn inflation and economic recession could continue to affect the spreads paid by sovereign issuers and by extension those of AFL. A downgrade of France's credit rating

could lead to a downgrade of AFL's, even though there is no mechanical link between the two, and could help drive up AFL's refinancing costs. The margin on medium-long term loans granted by AFL was unchanged in the first half of 2023. A further rise in the cost of AFL's resources, if it could not be passed on to borrowers, could put pressure on AFL's margins and affect its profitability.

- If sovereign spreads continue to rise, it is likely to increase unrealized losses in the portfolio and weigh on AFL's prudential capital and solvency ratio. Because of methodology used to account for currency swaps under IFRS, volatility in currencies to which AFL is exposed via its debt and foreign-currency denominated securities, which could intensify if global fragmentation worsens, could also weigh on AFL's prudential funds and its solvency ratio.

- Due to the residual exposure of its balance sheet to interest rates, AFL's results benefited from the increase in interest rates observed since 2022. Were rates to fall following a successful conclusion of the extensive policies put in place by central banks to curb inflation, policies that have yet to prove effective, it could put pressure on AFL's results and this would automatically affect its solvency ratio.

In the first half of 2023, taking account of the deterioration of the environment, AFL's cost of risk was €71 thousand, with cumulative provisions of €1,351 thousand on total loan outstandings, equivalent to an exposure of 1.7 basis points. This very modest increase mainly reflects the rise in interest rates amid the stabilisation of the economic and geostrategic environment. The cost of risk, calculated using a model that includes forecasts for the economic outlook, could rise further in the second half of 2023.

As regards the financial position of local and regional authorities, early indicators released by the Ministry of Finance show that the local public sector accounts will be in good overall shape in 2022. That said, the picture seems to be mixed between and within different segments of local authorities. In terms of the outlook for financial year 2023, the budgetary constraints linked to the rise in the indices for compensation of public officials and inflation will persist but will be offset - at least partially - by the dynamism of some direct and indirect tax revenues indexed to the same inflation (record increase in property tax bases and rising VAT revenues). The crisis in the property market has meant that tax receipts from property transfer taxes (DMTO) could dip in 2023 although the effect is likely to vary from one region to another.

Other uncertainties remain for 2023, notably regarding the expected budgets of local authorities. The 2023-2027 public finance programming bill presented in the autumn of 2022 and not yet adopted includes a drive to control the operating expenses of local and regional authorities by capping them at inflation -0.5%, although no penalties are specified for breaching the cap. More generally, AFL's exposure to the French local public sector also exposes it to risks from the economic and social situation in France, which may influence the Member local authorities' budgets, and to risks from changes in public policies (local or national) relating to the local authority financing, which are likely to restrict the debt capacity of Member local authorities and reduce their budgets. Both of these could significantly affect AFL's loan production.

5. *The competitive environment could impact AFL's activities; this may not drive the expected interest among local authorities. AFL carries out these activities for the exclusive benefit of its member local authorities and therefore has no ability to diversify.*

Existing and/or growing competition in the local public sector financing market, particularly from players such as the LBP-SFIL-CDC, BEI, BPCE group and Crédit Agricole group could lead to (i) AFL's profit margins being sharply reduced and (ii) the production of new loans for AFL being very limited, which would negatively affect AFL's net banking income.

Although AFL was created by law and satisfies a strong and consistent demand in recent years by a significant number of local authorities, the development of AFL's activities depends on interest in the model used by AFL for local authorities. In 2022, AFL accounted for a market share estimated at nearly 51% of its members' financing needs.

Development could be affected by the reluctance of local authorities to become members of the Agence France Locale Group, which requires them to become shareholders of AFL-ST, make capital contributions and act as guarantors under the Member Guarantee, or by the restrictions they may be subject to on the use of debt.

A lack of interest from local authorities could delay the acquisition by AFL of the equity capital necessary for the development of its activity, and in the absence of sufficient ICC payments, jeopardize its sustainability.

In accordance with Article L. 1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out these activities for the exclusive benefit of its member local authorities and therefore has no prospect of diversification. Even though the number of local authority members of the Agence France Locale Group has grown consistently, if the market for funding local authorities loses its appeal, AFL may not be able to develop alternative activity, which could jeopardize its sustainability.

6. *AFL is supervised by the prudential control authority and subject to a constantly changing regulatory framework, which could have an impact on its financial position.*

AFL was approved by the French Prudential Supervision and Resolution Authority (ACPR) as a specialized credit institution. This authorization is essential to the exercise of AFL's activity. This authorization subjects AFL to a certain number of regulatory requirements, including the obligation to comply with specific textual provisions and prudential ratios.

Changes in the regulatory framework may disrupt the forecasts made by AFL as part of its business plan, strengthen some of its obligations and therefore negatively impact its results.

Directive 2014/59/EU of May 15, 2014, as amended (the "**RRD**"), and Regulation No. 806/2014 of July 15, 2014 as amended by Regulation (EU) 2019/877 of May 20, 2019 on the single resolution mechanism (the "**SRM**"), establish a framework for the recovery and resolution of lending institutions and investment firms that aims to enable a wide range of actions that may be taken by the competent regulatory authorities in connection with lending institutions and investment firms that are considered to be at risk of default. The objective of the RRD is to provide the resolution authorities, including the ACPR in France, with common and effective tools and powers to preventively tackle banking crises, preserve financial stability and minimize exposure of taxpayers to losses.

The SRM Regulation provides for the application of several resolution instruments that can be used if (a) AFL or Agence France Locale Group defaults or default is foreseeable, (b) there is no reasonable prospect that a measure other than of a private nature or supervisory action would prevent the default and (c) a resolution measure is necessary in the public interest.

Article 22 of the SRM Regulation lists the following resolution mechanisms:

- Disposal on normal terms either of the institution itself or of all or part of its business, without the consent of the shareholders;
- Bridge institutions - allows resolution authorities to transfer all or part of the institution's activities to the "bridge institution" (an entity under public control);
- Separation of assets - allows resolution authorities to transfer impaired or toxic assets to a structure that can manage and, ultimately, restore them; and
- Bail-in - allows resolution authorities to write down certain subordinated and non-subordinated debt (including principal and interest on the Notes) of a defaulting institution and/or convert them into equity securities, the latter may then also be subject to other reduction or impairment measures.

The level of minimum capital requirements and eligible liabilities of each lending institution is determined by the Resolution College on the basis of the following criteria: the need for the resolution measures taken to fully meet the objectives of the resolution; the need, where applicable, for the lending institution to have a sufficient amount of eligible liabilities to ensure that losses can be absorbed and that the basic equity capital requirement of the lending institution subject to a resolution procedure can be brought to the level necessary for it to continue to fulfill the conditions of its authorization and to carry out the activities for which it was authorized and to ensure that the markets have sufficient confidence in this lending institution; the size, business model, financing model and risk profile of the lending institution; the negative effects on the financial stability of the default of the lending institution in question, due in particular to the contagion effect resulting from its interconnection with other institutions or with the rest of the financial system.

The Agence France Locale Group has already imposed an internal solvency ratio limit of 12.5% since its creation.

On December 21, 2022, the ACPR notified the Agence France Local Group of its obligation to hold equity capital enabling it to comply with a total prudential capital requirement of 9.25% including:

- A minimum capital requirement of 8%; and
- An additional equity capital requirement (Pillar 2) of 1.25%.

In addition, AFL Group is required in principle to hold capital enabling it to meet the capital conservation buffer requirement set at 2.5%.

The countercyclical buffer rate applicable to French exposures since April 7, 2023 is 0.5%.

Due in particular to its risk profile and its activity, the liquidation strategy has been selected as the resolution strategy for the AFL Group, the MREL requirement is thus set at 11.75%, limited to the amount of absorption losses, calculated as the sum of capital requirements. At June 30, 2023, prudential capital stood at €195.6 million. Given the credit quality of the assets carried by the Agence France Locale Group, the solvency ratio was 15% on a consolidated basis.

The powers granted to the resolution authorities, or the non-compliance by the AFL with the minimum capital requirements and eligible liabilities, could have an influence on the way in which it is managed as well as on its financial position and its business plan.

Failure to comply with regulatory requirements could also require AFL to implement one or more reinstatement measures or even lead to the revocation of AFL's authorization and jeopardize the sustainability of AFL's existence.

4.2 Financial risks

- **AFL is exposed to liquidity risk in its three aspects:**

▪ Liquidity price risk: this is the risk of a deterioration in the refinancing conditions of certain assets that could generate a loss in net banking income due to a maturity mismatch between the assets refinanced and the liabilities; this mismatch most commonly occurs with assets whose maturity is longer than the liabilities.

  At June 30, 2023, the ALT gap between AFL's assets and liabilities was 0.08 years and the NSFR ratio was 181%.

- Funding risk: this is the risk for the AFL of being unable to raise the liquidity needed to meet its commitments and the funding needs related to its development.

  As of June 30, 2023, AFL had a liquidity reserve of €2,281 million, enabling it to meet its cash flow requirements for more than 12 months (AFL estimate based on the business plan central scenario). The regulatory 30-day liquidity ratio (LCR) stood at 4 960%.

- Illiquidity risk: this is the risk of a disruption in short-term cash flow, related in particular to the risk that AFL may be unable to sell an asset on a market without loss.

  At June 30, 2023, unrealized losses in AFL's securities portfolio after taking into account unrealized gains and losses on the hedging instruments of these securities was €4.523 million.

Note that AFL's liabilities do not consist of sight deposits but of market finance.

AFL has had access to TRiCP (Traitement Informatique des Créances Privées), which provides it with a line of credit, available at any time, from the Banque de France, by mobilizing its medium- to long-term loans. Nevertheless, if AFL were to experience, for example, an unexpected outflow of cash or assets pledged as collateral (e.g. assets pledged as part of its interest rate or foreign exchange derivative transactions) and/or if it could not access the debt market on terms deemed acceptable for an extended period, its financial position could be adversely affected.

A deterioration in macroeconomic conditions (refer to risk factor A above) or a lack of interest by local authorities in the products offered by AFL (refer to risk factor B above), or an operating loss could also lead to a downgrade of AFL's credit rating affecting its funding access, which would impact its financial position.

- **Changes in interest rates and exchange rates are likely to adversely impact AFL's financial position.**

Interest rate risk

Interest rate risk includes the risk that AFL will suffer losses due to unfavorable changes in interest rates due to all of its balance sheet and off-balance sheet transactions, in particular in the event of a mismatch between the interest rates generated by its assets and those arising from its liabilities.

In order to protect itself from interest rate risk, AFL entered into hedging contracts.

AFL's interest rate risk hedging policy consists of micro-hedging or quasi-systematic macro-hedging of AFL debts, loans granted by AFL and securities held in the liquidity reserve to transform them into variable-rate instruments indexed to the 3-month Euribor reference, or debts issued by the Issuer to transform them into variable-rate instruments indexed to the €STR reference, using interest rate swaps. The hedging in place protects AFL against a uniform rise in the yield curve and generates a liquidity risk - depending on changes in interest rates - due to margin calls as well as a credit risk on swap counterparty bank or the LCH Clearnet clearing house.

At June 30, 2023, the interest rate hedging strategy resulted in an outstanding notional amount of swaps of €14.32 billion. The amount of margin calls received, net of the amount of margin calls paid, with respect to interest rate derivatives, stood at €81.1 million.

Nevertheless, there is still exposure to interest rate risk that may result in particular from (i) the use of a portion of AFL's equity capital in loans granted to local authorities and securities not hedged for interest rates or (ii) the difference in indexation between certain assets - in particular overnight rates paid on AFL deposits at the Banque de France which amounted to €1,171 million at June 30, 2023 - and the bank's liabilities.

As a result, a change in rates could have a negative impact on its future results and on the net present value of AFL.

At June 30, 2023, the sensitivity of the net present value (NPV) of AFL's equity capital was -1.7% assuming a parallel shift of +100 basis points and -3.2% assuming a shift of +200 basis points in the yield curve.

	30/06/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	Limit
Parallel shock up + 100 bps	-1,7%	0,0%	2,2%	0,4%	-3,2%	±15%
Parallel shock down - 100 bps	2,1%	0,2%	-2,2%	-0,3%	4,0%	±15%
Parallel shock down - 100 bps (floor)	2,1%	0,2%	0,1%	0,0%	2,0%	±15%
Parallel shock up + 200 bps	-3,2%	0,2%	4,4%	1,0%	-5,8%	±15%
Parallel shock down - 200 bps	4,5%	0,7%	-4,3%	-0,3%	8,9%	/
Parallel shock down - 200 bps (floor)	4,5%	0,7%	0,1%	0,0%	2,0%	±15%

AFL implemented scenarios for calculating the sensitivity of the net present value (NPV) of its equity capital to assumptions of interest rate risk in the banking book (IRRBB). The table below shows NPV sensitivity to the various scenarios at June 30, 2023.

	30/06/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	Limit
Parallel shock up + 200 bps	-3,2%	0,2%	4,4%	1,0%	-5,8%	±15%
Parallel shock down - 200 bps	4,5%	0,7%	-4,3%	-0,3%	8,9%	±15%
Short rates shock up	2,3%	4,1%	6,1%	3,0%	2,4%	±15%
Short rates shock down	-2,4%	-4,2%	-6,3%	-3,1%	-2,5%	±15%
Steepener shock	-4,0%	-4,3%	-4,3%	-2,7%	-5,4%	±15%
Flattener shock	3,6%	4,4%	5,1%	3,0%	4,8%	±15%

During the first half of 2023, the sensitivity of AFL's net present value to various scenarios of interest rate changes remained less than 15% of equity capital.

The table below shows the sensitivity of AFL's net interest margin to parallel shocks of between -200 basis points and +200 basis points at June 30, 2023. It is below the limit of 5% of equity:

NMI sensibility (% own funds)	30/06/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
Parallel shock up + 100 bps	1,0%	1,9%	2,1%	1,1%	0,3%
Parallel shock down - 100 bps	-1,0%	-1,9%	-1,2%	-0,1%	2,1%
Parallel shock up + 200 bps	1,9%	3,8%	4,9%	3,3%	1,5%
Parallel shock down - 200 bps	-2,0%	-3,8%	-2,4%	-0,2%	4,2%

Foreign exchange risk

Foreign exchange risk includes the risk that AFL may incur losses on borrowed or loaned assets in currencies other than the euro.

In order to protect itself from foreign exchange risk, AFL entered into hedging contracts. AFL's policy aims to hedge this risk systematically through the implementation of micro-hedging currency swaps. As a result, assets and liabilities denominated in currencies other than the euro are systematically swapped into euros when recorded on the statement of financial position and until their final maturity.

At June 30, 2023, the notional outstanding amount of currency swaps stood at €1.24 billion. The hedges implemented introduce a liquidity risk, based on margin calls sensitive to changes in currency rates, as well as a credit risk on the swap counterparty banks. Margin calls received net of margin calls paid on these hedging instruments totalled €155.8 million at June 30, 2023.

- AFL is exposed to the credit risk of its borrowers and counterparties.

The credit risk of its borrowers

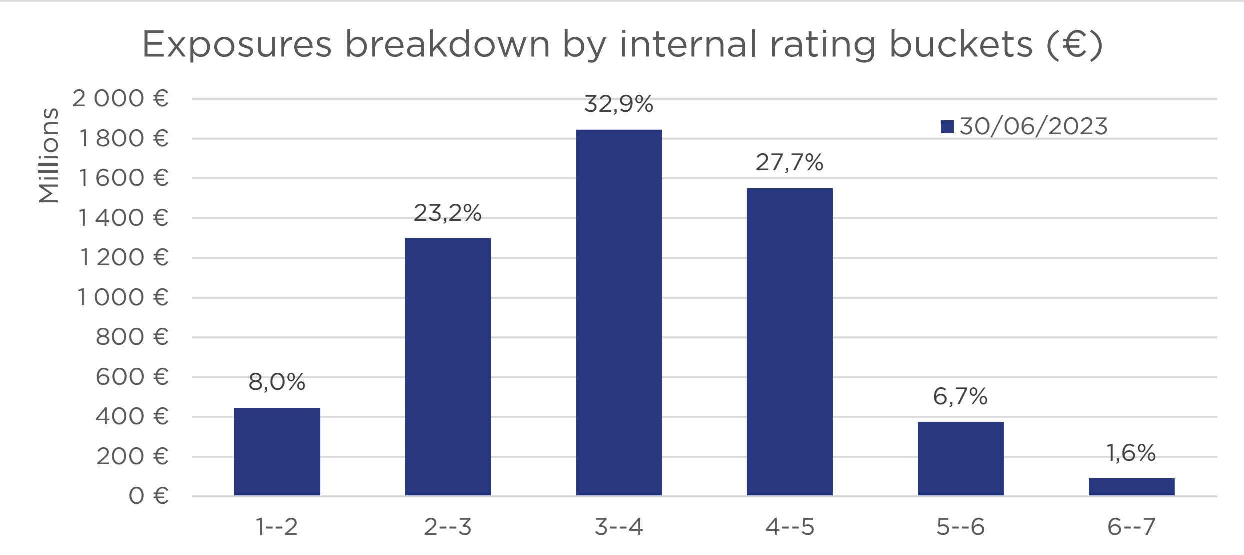
Pursuant to Article L. 1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out its activities for the exclusive benefit of its member local authorities that are shareholders of the ST, AFL's parent company, and guarantors of the debt securities they issue up to the amount of their respective medium- to long-term loans outstanding. As of June 30, 2023, the total outstanding amount of medium- and long-term credit, based on IFRS, granted to member local authorities by the Issuer amounts to €5,370 million.

In accordance with the Commitment and Proximity Act, the member local and regional authorities are all local authorities, their groups and local public institutions. As of the date of this report, no local public institution is a member of AFL.

The breakdown by rating of AFL's portfolio of loans to local authorities shows a diversified and good quality portfolio.

At June 30, 2023, this portfolio was more than 31% exposed to local authorities with ratings between 1 and 2.99. The five largest exposures represent 15% of the portfolio. The first exposure represents 3.2% of the portfolio and the fifth 2.8%. As of June 30, 2023, the average rating of loans made by AFL to its members, weighted by outstandings, was 3.56 on a scale of one to seven, with one being the best rating and seven being the lowest. This rating has improved over one year following consolidation of end-2021 financial data from member local authorities, at pre-Covid-19 levels.

The following graph shows the breakdown by rating of the loan portfolio granted by AFL to its members as of June 30, 2023:



Local authorities, whether current or future members, are considered as having a very limited risk profile due to the institutional rules governing their operations, which are similar for all categories of local authority member, and consequently the loans granted by AFL have this same profile. Nevertheless, a default by a member on its obligations to AFL or on its obligations under the Member Guarantee cannot be ruled out.

As of June 30, 2023, AFL's outstanding doubtful receivables have fallen substantially, to €58,543, i.e. a negligible proportion of AFL's loan portfolio.

	Agence France Locale -SO Solo - IFRS				Agence France Locale -SO Solo - IFRS			
Breakdown according to IFRS 9 Stages	Gross exposures (€)		Provisions (€)		Gross exposures (€)		Provisions (€)	
Stage 1	7 894 267 879	99,10 %	1 234 337	91,32 %	7 214 062 788	99,7 %	852 014	97,7 %

Stage 2	71 896 595	0,90 %	112 569	8,33 %	18 962 442	0,3%	18 112	2,1%
Stage 3	58 543	0,00 %	36	0,00 %	3 981 080	0,1%	1 562	0,2%
Total	7 966 223 017	100%	1 346 942	100%	7 237 006 310	100 %	871 687	100 %

To the extent that AFL grants loans only to member local authorities, AFL naturally shows a high concentration of its credit risk on a unique type of market participant. AFL is therefore exposed to the potential deterioration of this sector's situation (see also risk factor A).

The occurrence of such risks could result in a write-off for AFL.

The credit risk of its counterparties

Due to its cash investments, AFL has a credit risk on the issuers of securities in its cash portfolio. Although AFL's investment policy is prudent, AFL remains exposed to the risk that issuers of securities in which it has invested are unable to meet their financial obligations, which is an increased risk in the context of a deteriorated economic and financial situation such as that related to the war situation in Ukraine. The occurrence of such an event may generate a loss in net income and/or adversely impact AFL's equity capital.

The ratings of AFL's exposures are of very high quality, with 84% of exposures rated equal to or greater than Aa3 on Moody's scale at June 30, 2023. The weighted average risk of this portfolio is 4.9%.

In addition, AFL clears almost all of its interest rate derivatives through clearing houses and its exchange rate derivatives bilaterally. AFL cannot ensure that its counterparties to hedging contracts will be able to meet their obligations, whether clearing houses or banks, and their default could impact AFL's financial position.

- Financial risk due to the effects of climate change

French local authorities are variably exposed to climate events. Given the growing vulnerability of certain regions and the public and private infrastructures they host, AFL - whose mandate is to finance French local authorities - could be affected by the consequences of climate change.

4.3 Non-financial risks

A. AFL is exposed to risks related to human resources

Because of its model, AFL has a limited number of people working for it: 43 employees, including 36 on permanent contracts, 2 on temporary contracts and 5 work-study students at June 30, 2023, and one non-employee representative. The loss of one or more key persons, whether due to outside solicitation or temporary or permanent unavailability (accident, sickness) is therefore likely to have a material impact on its activity or to jeopardize its continuity.

- ***B. An operational failure, interruption or incident affecting AFL's partners, or a failure or breach of AFL's information systems could result in losses.***

The capital requirements for operational risks amounted to €2.27 million at June 30, 2023 for the AFL Group.

The communication and information systems are key to the activity and to AFL's ability to operate due to its activity as a specialist lending institution. AFL has chosen to largely outsource these. Any breakdown, malfunction, interruption or breach of its systems or those of its external service providers (including cyber-risk), or those of other market participants (such as clearing houses, intermediaries and financial services providers), even if brief and temporary, could lead to significant disruptions in AFL's activity.

Such incidents could have a material impact on AFL's ability to operate and would be likely to lead to significant direct or indirect operating losses and damage AFL's reputation.

During the past financial year, no significant operating loss has occurred.

These risks are heightened in the context of the resurgence of cyberattacks related to the war situation in Ukraine – see risk factor A.

- ***C. Failure by AFL to comply with the regulations applicable to it could result in losses.***

Given its activity as a credit institution, AFL must comply with numerous laws and regulations, including regulations applicable to credit institutions and issuers of listed securities, data confidentiality rules, European and US laws and regulations on money laundering, corruption and sanctions. In this respect, AFL is exposed to the risk of legal, administrative or disciplinary penalties if it does not comply with these various regulations. The control and compliance framework that AFL has implemented cannot fully guarantee that such a risk will not occur. In addition, AFL does not control the use made by members of the loans granted to them, and could thus indirectly, as a result of activities carried out by the members, be in non-compliance with certain regulations applicable to it. The occurrence of such a risk could result in a write-off or damage AFL's reputation, or even the withdrawal of its authorization as a specialized credit institution or its authorization to issue listed securities, thus making it impossible for AFL to conduct its business.

- ***D. The risk of litigation between AFL and one of its counterparties could result in losses.***

AFL has not been the subject of any litigation with any of its counterparties during the half-year ended June 30, 2023. Nevertheless, it cannot be ruled out that litigation may arise in the context of its activities, in particular with a local authority member, which would damage AFL's reputation and could result in a loss of value for AFL.

5. Prudential capital and ratios at June 30, 2023

AFL reports regulatory equity capital to the ACPR on a consolidated basis only, in accordance with IFRS, for its parent company, AFL-ST.

At June 30, 2023, prudential capital amounted to €195.6 million, compared to €185.7 million at December 31, 2022, an increase of 5.3%. This increase is due in particular to the ICC paid up during the capital increases carried out in 2023, which amounted to €6.65 million, as well as to AFL's consolidated income for 2022 capitalized on January 1, 2023 for €2.78 million. A minor part of this increase was attributable to the change in unrecognised gains and losses in other comprehensive income, deriving from the liquidity and cash-flow hedging reserves.

The bank's risk-weighted net assets rose by 9.4% over the period.

The consolidated solvency ratio was 15.00% at June 30, 2023, compared with 15.57% at December 31, 2022. This is well above the regulatory requirements. As a reminder, AFL imposed a limit of 12.5% on its solvency ratio for a regulatory requirement excluding the countercyclical buffer of 11.75%.

AFL's leverage ratio - calculated according to the methodology applicable to public development credit institutions - stood at 7.76% on a consolidated basis at June 30, 2023.

At June 30, 2023, the AFL's LCR ratio stood at 4960% and the NSFR amounted to 181%, well above the prudential requirements.

6. Outlook and events since June 30, 2023

a. Financial market transactions in the second half of 2023

Since the end of the first half of the financial year, no new bonds have been issued on the capital markets. However, debt securities were issued under the ECP program in the course of AFL's cash management.

b. Loan production since June 30, 2023

As of August 31, 2022, AFL's medium- and long-term loan production was €684 million, thereby continuing its steady and solid growth.

c. Increase in share capital

A new capital increase was opened by the Board of Directors of AFL-ST on September 25, 2023, in order to allow the membership of new local authorities, thus bringing to 37 the number of capital increases carried out by the AFL since its creation.

d. 2023 annual contribution to the SRF

The request for an irrevocable payment commitment for the settlement of the 2022 annual contribution to the SRF was authorized by the Single Resolution Board. This will have a positive accounting impact of €283 thousand on AFL's annual operating income for 2023.

7. Certification of the half-year financial report for the six-month period ended June 30, 2023

I, the undersigned, Thiébaut Julin, acting as Chief Executive Officer, member of the Management Board, and Chief Financial Officer of Agence France Locale, certify that, to my knowledge, the financial statements for the six-month period have been prepared in accordance with the applicable accounting standards and are an accurate reflection of the assets, financial position, and net income of the Company and all of the companies included in the scope of consolidation, and that the half-year activity report included in this half-year report presents a true picture of the events that have occurred in the first six months of the year and their impact on the financial statements, and describes the principal risks and uncertainties for the remaining six months of the financial year.

Lyon, September 25, 2023

Thiébaut Julin

Chief Executive Officer, member of the Management Board, and Chief Financial Officer of Agence France Locale

HALF-YEAR FINANCIAL STATEMENTS

1. Half-year financial statements prepared according to French GAAP

AGENCE FRANCE LOCALE

BALANCE SHEET

Assets as of 30th of June 2023

(€ '000s)	Notes	30/06/2023	31/12/2022
Cash and central banks	2	1,171,706	1,134,477
Government paper and similar securities	1	871,838	939,820
Receivables on credit institutions	2	88,614	93,163
Loans and advances to customers	4	5,981,936	5,331,140
Bonds and other fixed income securities	1	235,701	119,141
Equities and other variable income securities			
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies			
Intangible assets	5	3,209	3,403
Property, plant and equipment	5	213	198
Other assets	6	156,668	178,164
Accruals	6	141,686	110,867
TOTAL ASSETS		**8,651,571**	**7,910,372**

Liabilities as of 30th of June 2023

(€ '000s)	Notes	30/06/2023	31/12/2022
Central banks			
Due to banks	3	0.1	0.2
Customer borrowings and deposits			
Debt securities	7	8,186,008	7,456,794
Other liabilities	8	84,239	105,420
Accruals	8	183,063	161,350
Provisions	9	114	114
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	10	**198,147**	**186,695**
Share capital		214,100	207,600
Additional paid-in capital			
Reserves and retained earnings			
Revaluation differences			
Regulated provisions and investment subsidies			
Retained earnings (+/-)		(20,905)	(21,254)
Net income for the period (+/-)		4,953	348
TOTAL LIABILITIES		**8,651,571**	**7,910,372**

INCOME STATEMENT

(€ '000s)	Notes	30/06/2023	30/06/2022	31/12/2022
+ Interest and similar income	12	135,138	18,989	50,693
- Interest and similar expenses	12	(122,308)	(11,353)	(34,903)
+ Income from variable income securities				
+ Fee and commission income	13	76	94	301
- Fee and commission expenses	13	(118)	(75)	(153)
+/- Net gains (losses) on held for trading portfolio	14	3,908	2,281	8,618
+/- Net gains (losses) on placement portfolio	14	(3,233)	(2,898)	(10,715)
+ Other banking income	15			
- Other banking expense	15			
NET BANKING INCOME		**13,464**	**7,038**	**13,842**
- General operating expenses	16	(7,693)	(6,676)	(12,428)
+ Other operating income				
- Depreciation and amortization	5	(587)	(511)	(1,065)
GROSS OPERATING INCOME		**5,184**	**(150)**	**348**
- Cost of risk				
OPERATING INCOME		**5,184**	**(150)**	**348**
+/- Net gains (losses) on fixed assets	17	(1)		
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**5,183**	**(150)**	**348**
+/- Net extraordinary items				
- Income tax charge		(230)		
+/- Net allocation to FGBR and regulated provisions				
NET INCOME		**4,953**	**(150)**	**348**
Basic earnings per share		2.31	(0.07)	0.17

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	30/06/2023	31/12/2022
Commitments given		**689,902**	**810,248**
Financing commitments		514,667	810,248
Guarantee commitments		58,235	
Commitments on securities		117,000	
Commitments received		**1,893**	**1,960**
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments		1,893	1,960
Commitments on securities			
Derivatives	11	**15,560,092**	**14,119,525**

NOTES TO THE HALF YEAR INDIVIDUAL ACCOUNTS

I - Publication context

The half year 2023 financial statements were approved by the Executive Board on September 11, 2023.

II - Highlights from the first half year

The production of medium and long-term loans carried out by AFL in the first half of 2023 amounted to 525 million euros compared to 215 million euros in the first half of 2022. This new increase in the volume of production from one year on the other is due to two reasons; the regular increase in the number of local authorities Members of the AFL Group, and the maintenance of a good momentum of investment by French local authorities.

In January 2023, a syndicated 750 million euro 7-year issue was successfully completed. This was the second benchmark transaction of this size since the creation of AFL, after the inaugural issue in 2015. The placement of this transaction remains characterized by the presence of a large majority of international investors. In addition, diversification through issues in foreign currencies continued with two tappings of the bond issue in sterling, which had been launched in 2022, for a total amount of £160 million, equivalent of €181 million. Lastly, a private placement denominated in US dollars was renewed for an amount of 125 million.

During the first half of 2023, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL in the amount of 6.5 million euros with two capital increases, thus increasing the share capital from €207.6 million at January 1, 2023 to €214.1 million at June 30, 2023. The AFL Group now has 650 members.

The first half of 2023 marked a strong increase in the net interest margin, to €12,830K compared to €7,636K at June 30, 2022. This increase is due to the following three elements: a rapid increase in outstanding loans, in connection with the continued development of AFL, the increase in the remuneration of variable-rate assets replacing equity, which benefits from the increase in short-term rates, and better remuneration of deposits in the liquidity reserve. In addition to interest income, there are commitment and non-use commissions on cash lines in the amount of €76K compared to €94K in the first half of 2022 and capital gains on the sale of investment securities of €450K, after taking into account the result of the termination of securities hedging relationships, compared to €1,006K in the first half of 2022, and finally a reversal of €215K in impairment on investment securities.

This results in net banking income of €13,464K as of June 30, 2023 compared to €7,038K as of June 30, 2022.

The increase in interest income observed over the period led to a change in the structure of income resulting from the sharp rise in interest rates and in particular the 3-month Euribor index. As of June 30, 2023, interest income breaks down as follows:

▪ €85.4 million in interest income, net of hedging instruments, on outstanding loans for the first half of 2023, compared to €2.3 million in the first half of 2022. If the increase in volume of loans from one period to the next contributes to the growth of interest income, the explanation for this considerable increase is essentially due to the increase in short rates initiated by the European Central Bank, which represented 400 basis points between June 30, 2022 and June 30, 2023.

▪ €36.7 million in interest income, net of hedging instruments, on liquidity reserve and collateral management assets for the first half of 2023, compared to €5.2 million in interest charges interest in the first half of 2023. This change also reflects the rise in interest rates over the period and in particular the remuneration of deposits that AFL makes with the Banque de France. Indeed, while the interest rate on deposits with the Banque de France was minus 50 basis points as of June 30, 2022, it stood at 4% as of June 30, 2023.

▪ €109.3 million in interest expense, net of hedging instruments, on outstanding debt carried by AFL on the balance sheet, compared to €10.5 million in interest income in the first half of 2022 , when the negative interest rate environment led to recording debt interest as income.

During the period, portfolio management of the liquidity reserve generated €450K in profit on the sale of investment securities net of the cancellation of interest rate hedging instruments for securities subject to disposals. By way of comparison, portfolio management generated a net amount of capital gains on disposals of €1,006K in the first half of 2022.

The reversal of provisions on investment securities of €215K for a stock of €3,709K as of June 30, 2023, comes from a stabilization of the evolution of credit margins, which in 2022 had widened with the rise in interest rates .

As of June 30, 2023, general operating expenses, once re-invoicing and transfers of administrative expenses have been deducted, represented €7,693K compared to €6,676K as of June 30, 2022. They account for €3,437K in personnel expenses compared to €2,821K € for the first half of the previous financial year, and €4,256K for administrative expenses after transfers and re-invoicing to Société Territoriale, compared with €3,855K for the first half of 2022. This increase in administrative expenses primarily corresponds to an increase in taxes and duties, including contributions to banking regulatory bodies, which amounted to €1,132K in the first half of 2022, and which amounted to €1,295K in the first half of 2023, due to a new increase in the 2023 contribution to the Single Resolution Fund, to €1,259K compared to €1,094K at June 30, 2022. This increase in administrative expenses is also due to an increase of €236K in external services and in particular certain consulting costs as well as than marketing and communication costs.

The result as of June 30, 2023 takes into account depreciation allowances which amounted to €587K as of June 30, 2023 compared to €511K as of June 30, 2022. This increase underlines AFL's maintenance of a stable investment program of one exercise after another, essentially relating to the development of its information systems.

After depreciation and amortization, gross operating income at June 30, 2023 amounted to €5,184K, compared to -€150K for the first half of 2022. After taking into account corporation tax of an amount of €230K, AFL's net income as of June 30, 2023 shows a net profit of €4,953K against a net loss of -€150K. As a reminder, the loss recorded in the first half of 2022 was mainly due to the increase in provisions for social depreciation on securities in the investment portfolio.

Subsequent events

No significant subsequent events occurred on the beginning of the second half 2023 after the accounts closure date has to be reported.

III - Accounting principles and valuation methods

Agence's financial statements have been prepared in accordance with accounting principles applyed in France by BanKs.

Presentation format

Agence's financial statements are presented in accordance with ANC (Autorité des normes comptables) Regulation N° 2014-07 of 26 November 2014 related to the annual accounts for the banking sector.

Preparation basis

The general accounting conventions have been applied, in accordance with the basic assumptions :
• Ongoing concern principle,
• Segregation of accounting periods,
• Consistency of methods.
And with the general rules for preparing and presenting annual financial statements.

The accounting principles and methods applied in drawing up these half-yearly financial statements are identical to those applied at 31 December 2022.

Identity of the parent company consolidating the accounts of the Agence as of June 30, 2023

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

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

30/06/2023	Government paper and similar securities	Bonds and other fixed income securities	Equities and other variable income securities	Total
Fixed or variable income securities				
Listed securities	871,159	235,333		1,106,492
Unlisted securities				-
Accrued interest	3,718	1,038		4,757
Impairment	(3,039)	(670)		(3,709)
Net carrying amount	**871,838**	**235,701**	**-**	**1,107,539**
Residual net Premium/Discount	2,259	79		2,338

31/12/2022				
Fixed or variable income securities				
Listed securities	940,081	118,667		1,058,748
Unlisted securities				
Accrued interest	3,281	856		4,138
Impairment	(3,542)	(382)		(3,925)
Net carrying amount	**939,820**	**119,141**	**-**	**1,058,961**
Residual net Premium/Discount	5,462	1,773		7,235

Government paper and similar securities: analysis by residual maturity

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2023	Total 31/12/2022
Government paper and similar securities								
Net amount	11,004	65,388	398,969	392,759	868,120	3,718	871,838	939,820
NET CARRYING AMOUNT	**11,004**	**65,388**	**398,969**	**392,759**	**868,120**	**3,718**	**871,838**	**939,820**
Bonds and other fixed income securities								
Net amount	-	64,526	143,741	26,396	234,663	1,038	235,701	119,141
NET CARRYING AMOUNT	**-**	**64,526**	**143,741**	**26,396**	**234,663**	**1,038**	**235,701**	**119,141**

Analysis by type of portfolio

Portfolio *(€ '000s)*	Gross amount 31/12/2022	Additions	Disposals	Transfers and other movements	Prem/Disc Amort.	Change in accrued interest	Impairment	Total 30/06/2023	Unrealized gains/(losses)
Transaction									
Held-for-sale	784,068	441,518	(460,208)	(4,807)	139	(326)	152	760,537	(64,660)
Investment	274,892	83,541	(11,325)	(1,095)	(18)	945	63	347,002	(24,710)
NET CARRYING AMOUNT	**1,058,961**	**525,059**	**(471,533)**	**(5,902)**	**121**	**619**	**215**	**1,107,539**	**(89,371)**
Of which Premium/Discount	7,235	(2,691)	(2,113)	(213)	121			2,338	

Note 2 -RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	30/06/2023	31/12/2022
Mandatory reserve deposits with central banks	1,171,706	1,134,477
Other deposits		
Cash and central banks	**1,171,706**	**1,134,477**

Receivables on credit institutions

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2023	Total 31/12/2022
Credit institutions								
Loans and receivables								
- demand	7,815				7,815	17	7,832	12,964
- time	80,000				80,000	782	80,782	80,199
Securities bought under repurchase agreements								
TOTAL	**87,815**	**-**	**-**	**-**	**87,815**	**799**	**88,614**	**93,163**
Impairment								
NET CARRYING AMOUNT	**87,815**	**-**	**-**	**-**	**87,815**	**799**	**88,614**	**93,163**

Note 3 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2023	Total 31/12/2022
Credit institutions								
Accounts and Overdrafts								
- demand	0.1				0.1		0.1	0.2
- time								
Securities sold under repurchase agreements								
TOTAL	**0.1**	**-**	**-**	**-**	**0.1**	**-**	**0.1**	**0.2**

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2023	31/12/2022
Short-term credit facilities	15,215	8,698
Other loans	5,966,722	5,322,441
Customers transactions before impairment charges	**5,981,936**	**5,331,140**
Impairment		
Net carrying amount	**5,981,936**	**5,331,140**
Of which related receivables	14,670	8,847
Of which gross doubtful receivables	70	4,361
Of which gross non-performing doubtful receivables		

Doubtful loans correspond to a default for at least 90 days unpaid loans and by contagion to all of the outstanding amounts of counterparties in default. Although classified as doubtful loans, these loans have not been subject to impairment. Impairments are established on the basis of the recoverable amount of the receivable, i.e. the present value of the estimated future flows recoverable. However, on the closing date, the AFL intends to recover all of its debts as well as the interest attached to them.

Analysis by residual maturity excluding accrued interest

(€ '000s)	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2023
Loans and advances to customers	161,147	143,840	247,503	1,667,221	3,747,555	**5,967,266**	**14,670**	**5,981,936**

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2022	Additions	Transfers	Disposals	Amort.	Impairments	Other movements	30/06/2023
Intangible assets	**14,480**	**234**		**(37)**			**12**	**14,689**
Start-up costs	-							-
IT development costs	14,318	234		(37)			12	14,527
Web site	163							163
Software	-							-
Intangible assets in progress	**18**	**128**					**(18)**	**128**
Intangible assets amortisation	**(11,096)**			**37**	**(550)**			**(11,609)**
Net carrying amount	**3,403**	**362**			**(550)**		**(6)**	**3,209**

Property, plant & equipment	31/12/2022							30/06/2023
Property, plant & equipment	404	54		(5)			8	462
Tangible assets in progress	8						(8)	-
Tangible assets amortization	(215)			4	(37)			(248)
Net carrying amount	**198**	**54**		**(1)**	**(37)**			**213**

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2023	31/12/2022
Other assets		
Cash collateral paid	156,416	177,842
Other assets	252	323
Impairment		
Net carrying amount	**156,668**	**178,164**
Accruals		
Deferred charges on bond issues	61,834	39,428
Deferred charges on hedging transactions	34,946	37,121
Prepaid charges	651	266
Accrued interest not yet due on hedging transactions	37,163	30,395
Other deferred income	81	4
Other accruals	7,010	3,654
TOTAL	**141,686**	**110,867**

Note 7 - DEBT SECURITIES

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 30/06/2023	Total 31/12/2022
Negotiable debt securities	225,000	125,000			350,000		350,000	371,652
Bonds		820,000	2,821,474	4,171,934	7,813,408	22,600	7,836,008	7,085,142
Other debt securities					-		-	-
TOTAL	**225,000**	**945,000**	**2,821,474**	**4,171,934**	**8,163,408**	**22,600**	**8,186,008**	**7,456,794**

Note 8 - OTHER LIABILITIES and ACCRUALS

(€ '000s)	30/06/2023	31/12/2022
Other liabilities		
Cash collateral received	81,066	102,377
Miscellaneous creditors	3,173	3,043
TOTAL	**84,239**	**105,420**
Accruals		
Transaction to pay and settlement accounts	296	
Premium EMTN issue	28,146	31,403
Unrealised gains on hedging instruments	85,304	69,606
Unearned income	489	490
Accrued expenses on hedging instruments	29,017	19,552
Other accrued expenses		
Other accruals	39,811	40,299
TOTAL	**183,063**	**161,350**

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2022	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 30/06/2023
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	114	-	-	-	-	114
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**114**	**-**	**-**	**-**	**-**	**114**

Note 10 - CHANGES IN EQUITY

(€ '000s)	Share capital	Legal reserve	Share premiums	Statutory reserve	Translation, revaluation	Translation, revaluation subsidies	Retained earnings	Net income	Total equity
Balance as of 31/12/2021	**196,800**	**-**	**-**	**-**	**-**	**-**	**(23,327)**	**2,073**	**175,546**
Change in share capital	10,800								10,800
Change in share premium and reserves									
Allocation of 2021 net profit							2,073	(2,073)	
Net income as of 31/12/2022								348	348
Other changes									
Balance as of 31/12/2022	**207,600**	**-**	**-**	**-**	**-**	**-**	**(21,254)**	**348**	**186,695**
Dividend paid for 2022									
Change in share capital	6,500 (1)								6,500
Change in share premium and reserves									
Allocation of 2022 net profit							348	(348)	
Net income as of 30/06/2023								4,953	4,953
Other changes									
Balance as of 30/06/2023	**214,100**	**-**	**-**	**-**	**-**	**-**	**(20,905)**	**4,953**	**198,147**

(1) The share capital of Agence France Locale which amounts on 30 of June, 2023 to € 214,100,000 consists of 2,141,000 shares. The Company carried out two capital increases during the first year-half 2022 subscribed on 14th March for € 3,000K and on 27th June 2023 for €3,500K.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

(€ '000s)	30/06/2023				31/12/2022			
	Hedging transactions		Others than Hedging transactions		Hedging transactions		Others than Hedging transactions	
	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value
FIRM TRANSACTIONS	**14,980,842**	**(74,462)**	**579,250**	**12**	**13,352,625**	**(35,495)**	**766,900**	**28**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**14,980,842**	**(74,462)**	**579,250**	**12**	**13,352,625**	**(35,495)**	**766,900**	**28**
Interest rate contracts	13,745,413	81,177	579,250	12	12,172,139	105,026	766,900	28
FRA								
Cross Currency Swaps	1,235,429	(155,638)			1,180,485	(140,521)		
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Exchange rate options								
Other options								
Over-the-counter markets	-	-	-	-	-	-	-	-
Caps, floors								
Foreign currency option								
Crédit derivatives								
Other options								

Amount of micro-hedge transaction as of 30/06/2023 13,810,571 (€ '000s)
Amount of macro-hedge transaction as of 30/06/2023 1,170,271 (€ '000s)
Amount of trading transaction as of 30/06/2023 579,250 (€ '000s)

Notional amount by maturity

(€ '000s)	30/06/2023					
	Hedging transactions			Others than Hedging transactions		
	Less than 1 year	1 year to 5 years	more than 5 years	Less than 1 year	1 year to 5 years	more than 5 years
FIRM TRANSACTIONS	**1,868,864**	**3,839,887**	**9,272,091**	**182,400**	**312,850**	**84,000**
Organised markets	-	-	-	-	-	-
Interest rate contracts						
Other contracts						
Over-the-counter markets	**1,868,864**	**3,839,887**	**9,272,091**	**182,400**	**312,850**	**84,000**
Interest rate contracts	1,779,123	3,109,240	8,857,050	182,400	312,850	84,000
FRA						
Cross Currency Swaps	89,741	730,647	415,041			
Other contracts						
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-
Exchange rate options						
Other options						
Over-the-counter markets	-	-	-	-	-	-
Caps, floors						
Foreign currency option						
Crédit derivatives						
Other options						

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

V - Notes to the Income statement

Note 12 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Interest and similar income	**135,138**	**18,989**	**50,693**
Due from banks	23,499	207	4,686
Due from customers	78,371	4,704	33,007
Bonds and other fixed income securities	14,458		2,101
from Held-for-sale securities	*10,144*		*1,147*
from Investment securities	*4,314*		*954*
Debt securities		10,542	
Macro-hedge transactions	13,149	1,360	6,106
Other interest income	5,661	2,175	4,793
Interest and similar expenses	**(122,308)**	**(11,353)**	**(34,903)**
Due to banks	(1,265)	(3,477)	(4,128)
Bonds and other fixed income securities		(1,926)	
from Held-for-sale securities		*(1,758)*	
from Investment securities		*(168)*	
Debt securities	(109,272)		(18,033)
Macro-hedge transactions	(6,086)	(3,776)	(7,931)
Other interest expenses	(5,684)	(2,175)	(4,812)
Interest margin	**12,830**	**7,636**	**15,790**

Note 13 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Commission income	**76**	**94**	**301**
Interbank transactions			
Customer transactions	76	94	301
Securities transactions			
Forward financial instruments transactions			
Currencies transactions			
Financing commitments and guarantee			
Other commissions recieved			
Commission expenses	**(118)**	**(75)**	**(153)**
Interbank transactions	(43)	(7)	(16)
Securities transactions			
Forward financial instruments transactions	(75)	(68)	(136)
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net fee and commission income	**(42)**	**19**	**148**

Note 14 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Gains/(losses) on Trading book			
Gains/(losses) on forward financial instruments	3,898	2,276	8,617
Gains/(losses) on foreign currency transactions	11	5	2
Gains or (losses) on trading portfolio	**3,908**	**2,281**	**8,618**
Gains/(losses) from disposal of held-for-sale securities	(3,448)	(1,270)	(7,150)
Other income/(expenses) from held-for-sale securities			
Impairment (charges) and reversals on held-for-sale securities	215	(1,628)	(3,565)
Gains or (losses) on held-for-sale portfolio	**(3,233)**	**(2,898)**	**(10,715)**

Note 15 - OTHER BANKING INCOME

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Capital gains on loan disposals			
Other banking income			
Other banking income	**-**	**-**	**-**
Capital losses on loan disposals			
Other banking expense			
Other banking expense	**-**	**-**	**-**
TOTAL	**-**	**-**	**-**

Note 16 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Employee expenses			
Wages and salaries	2,220	1,876	4,117
Post-employment benefit expenses	210	178	377
Other expenses	1,007	767	1,658
Total Employee expenses	**3,437**	**2,821**	**6,152**
Operating expenses			
Taxes and duties	1,395	1,230	1,169
External services	4,218	3,665	6,491
Total Administrative expenses	**5,613**	**4,895**	**7,660**
Charge-backs and reclassification of administrative expenses	(1,357)	(1,039)	(1,384)
Total General operating expenses	**7,693**	**6,676**	**12,428**

Note 17 - +/- NET GAINS (LOSSES) ON FIXED ASSETS

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
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			
Losses on sales of tangible or intangible assets	(1)		
Charge of impairment			
Total Losses on fixed assets	**(1)**	**-**	**-**
TOTAL	**(1)**	**-**	**-**

Note 18 - INCOME TAX CHARGE

The standard method for current tax has been chosen for report individual accounts.
Tax losses amounting to €14.9m at 2023 half-year closing were not recognised as deferred tax assets.

Note 19 - RELATED PARTIES

There are, on 30 June 2023, an agreement of administrative services and a licensing for the use of a mark, as well as a professional lease, which were concluded which have been concluded between Agence France Locale - Sociétè térritoriale at normal market conditions.

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CS 60055
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19, rue Clément Marot
75008 Paris
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Agence France Locale S.A.

Statutory Auditors' Review Report on the interim condensed financial statements prepared in accordance with the French accounting principles

For the six-month period ended June 30, 2023
Agence France Locale S.A.

KPMG S.A.
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

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19, rue Clément Marot
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France

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

Agence France Locale S.A.

Statutory Auditors' Review Report on the interim condensed financial statements prepared in accordance with the French accounting principles

For the six-month period ended June 30, 2023

To the Shareholders,

In our capacity as Statutory Auditors of Agence France Locale S.A. and in accordance to your request made in the context of your willingness to produce an extended financial information to investors, we conducted a review of the accompanying interim condensed financial statements of Agence France Locale S.A prepared in accordance with French accounting principles, for the period from January 1, 2023 to June 30, 2023.

These interim condensed financial statements are the responsibility of the Management. 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 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 consolidated interim financial statements do not present fairly, in all material respects, the assets and liabilities and the financial position of the Group as at 30 June, 2023 and the results of its operations for the period then ended, in accordance with the French accounting principles.

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes.

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

Paris La Défense, on the 25 September 2023	Paris, on the 25 September 2023
KPMG S.A.	Cailliau Dedouit et Associés
Xavier de Coninck ***Partner***	Sandrine Le Mao ***Partner***

2. Half-year financial statements prepared according to IFRS

AGENCE FRANCE LOCALE IFRS GAAP

BALANCE SHEET

Assets as of June 30, 2023

(€ '000s)	Notes	30/06/2023	31/12/2022
Cash, central banks	5	1,171,639	1,134,411
Financial assets at fair value through profit or loss	1	20,218	28,591
Hedging derivative instruments	2	851,785	912,259
Financial assets at fair value through other comprehensive income	3	698,917	707,306
Securities at amortized cost	4	322,129	256,891
Loans and receivables due from credit institutions and similar items at amortized cost	5	244,828	270,754
Loans and receivables due from customers at amortized cost	6	5,369,776	4,690,415
Revaluation adjustment on interest rate risk-hedged portfolios			
Current tax assets			
Deferred tax assets	7	6,163	6,641
Accruals and other assets	8	1,463	1,053
Intangible assets	9	2,229	2,381
Property, plant and equipment	9	1,042	1,101
Goodwill			
TOTAL ASSETS		**8,690,189**	**8,011,803**

Liabilities as of June 30, 2023

(€ '000s)	Notes	30/06/2023	31/12/2022
Central banks			
Financial liabilities at fair value through profit or loss	1	20,207	28,562
Hedging derivative instruments	2	933,386	973,829
Debt securities	10	7,335,281	6,589,082
Due to credit institutions	11	81,067	102,377
Due to customers			
Revaluation adjustment on interest rate hedged portfolios		120,709	126,038
Current tax liabilities		230	
Deferred tax liabilities	7	128	467
Accruals and other liabilities	12	4,099	3,976
Provisions	13	142	140
Equity		**194,941**	**187,333**
Equity, Group share		**194,941**	**187,333**
Share capital and reserves		214,100	207,600
Consolidated reserves		(15,252)	(18,009)
Reevaluation reserve			
Gains and losses recognised directly in equity		(6,746)	(5,015)
Profit (loss) for the period		2,838	2,758
Non-controlling interests			
TOTAL LIABILITIES		**8,690,189**	**8,011,803**

Income statement

(€ '000s)	Notes	30/06/2023	30/06/2022	31/12/2022
Interest and similar income	14	135,185	19,008	50,509
Interest and similar expenses	14	(122,309)	(11,353)	(34,907)
Fee & Commission Income	15	76	94	301
Fee & Commission Expense	15	(118)	(75)	(153)
Net gains (losses) on financial instruments at fair value through profit or loss	16	2,733	3,154	8,968
Net gains or losses on financial instruments at fair value through other comprehensive income	17	(3,448)	(1,270)	(7,150)
Net gains and losses on derecognition of financial assets at amortised cost	18			
Income on other activities				
Expenses on other activities				
NET BANKING INCOME		**12,119**	**9,558**	**17,569**
Operating expenses	19	(7,769)	(6,601)	(12,513)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(484)	(579)	(866)
GROSS OPERATING INCOME		**3,866**	**2,378**	**4,190**
Cost of risk	20	(71)	(391)	(404)
OPERATING INCOME		**3,795**	**1,987**	**3,786**
Net gains and losses on other assets	21	(0.1)		
INCOME BEFORE TAX		**3,795**	**1,987**	**3,786**
Income tax	22	(957)	(589)	(1,029)
NET INCOME		**2,838**	**1,397**	**2,758**
Non-controlling interests				
NET INCOME GROUP SHARE		**2,838**	**1,397**	**2,758**
Basic earnings per share (in EUR)		1.33	0.69	1.33
Diluted earnings per share (in EUR)		1.33	0.69	1.33

Net income and other comprehensive income

(€ '000s)	30/06/2023	30/06/2022	31/12/2021
Net income	**2,838**	**1,397**	**2,758**
Items will be reclassified subsequently to profit or loss	**222**	**(477)**	**(2,507)**
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	285	(709)	(3,367)
Other items recognized through other comprehensive income recyclable to income			
Related taxes	(63)	233	861
Elements not recyclable in profit or loss	**(1,953)**	**(3,066)**	**(3,416)**
Revaluation in respect of defined benefit plans			
Revaluation of financial assets at fair value through to equity	(2,604)	(4,088)	(4,554)
Other items recognized through other comprehensive income not recyclable to income			
Related taxes	651	1,022	1,139
Total gains and losses recognized directly in equity	**(1,730)**	**(3,542)**	**(5,922)**
COMPREHENSIVE INCOME	**1,108**	**(2,145)**	**(3,165)**

Consolidated statement of changes in equity

(€ '000s)	Capital	Associated reserves to capital	Consolidated reserves	Gains and losses recognized directly in comprehensive income				Net income, Group share	Share-holders' equity - Group share	Share-holders'equity, non-controlling interests	Total share-holders equity
				Recyclable		Not recyclable					
				Net change in fair value of Financial assets at fair value through other comprehensive income, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Revaluation in respect of defined benefit plans	Other items recognized through other comprehensive income not recyclable to income				
Shareholders' equity at 1 january 2022	**196,800**	**-**	**(19,618)**	**961**	**-**	**-**	**(54)**	**1,609**	**179,698**	**-**	**179,698**
Increase in share capital	10,800								10,800		10,800
Elimination of treasury shares											
Allocation of profit 2021			1,609					(1,609)			
Dividends 2021 paid											
Sub-total of changes linked to transactions with shareholders	**10,800**	**-**	**1,609**	**-**	**-**	**-**	**-**	**(1,609)**	**10,800**	**-**	**10,800**
Changes in fair value through equity				(2,810)					(2,810)		(2,810)
Change in value of through profit or loss				(557)					(557)		(557)
Revaluation of financial assets at fair value through not recyclable equity							(4,554)		(4,554)		(4,554)
Changes in actuarial gains on retirement benefits											
Related taxes				861			1,139		1,999		1,999
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**-**	**(5,922)**	**-**	**(5,922)**
2022 Net income								2,758	2,758		2,758
Sub-total	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**2,758**	**(3,165)**	**-**	**(3,165)**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2022	**207,600**	**-**	**(18,010)**	**(1,546)**	**-**	**-**	**(3,470)**	**2,758**	**187,333**	**-**	**187,333**
Increase in share capital	6,500 (1)								6,500		6,500
Elimination of treasury shares											
Allocation of profit 2022			2,758					(2,758)			
Dividends 2022 paid											
Sub-total of changes linked to transactions with shareholders	**6,500**	**-**	**2,758**	**-**	**-**	**-**	**-**	**(2,758)**	**6,500**	**-**	**6,500**
Changes in fair value through equity				240					240		240
Change in value of through profit or loss				45					45		45
Revaluation of financial assets at fair value through not recyclable equity							(2,604)		(2,604)		(2,604)
Changes in actuarial gains on retirement benefits											
Related taxes				(63)			651		588		588
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**222**	**-**	**-**	**(1,953)**	**-**	**(1,730)**	**-**	**(1,730)**
30 June 2023 Net income								2,838	2,838		2,838
Sub-total	**-**	**-**	**-**	**222**	**-**	**-**	**(1,953)**	**2,838**	**1,108**	**-**	**1,108**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 30 June 2023	**214,100**	**-**	**(15,252)**	**(1,323)**	**-**	**-**	**(5,422)**	**2,838**	**194,941**	**-**	**194,941**

(1) The share capital of Agence France Locale which amounts on 30 of June, 2023 to € 214,100,000 consists of 2,141,000 shares. The Company carried out two capital increases during the first year-half 2022 subscribed on 14th March for € 3,000K and on 27th June 2023 for €3,500K.

Cash flow statement

(€ '000s)	30/06/2023	31/12/2022
Net income before taxes	**3,795**	**3,786**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	484	866
+/- Net provisions and impairment charges	71	404
+/- Expense/income from investing activities	(1,815)	2,941
+/- Expense/income from financing activities	(21,651)	689
+/- Other non-cash items	1,461	(6,133)
= Non-monetary items included in net income before tax and other adjustments	**(21,450)**	**(1,234)**
+/- Cash from interbank operations		
+/- Cash from customer operations	(644,677)	(913,685)
+/- Cash from financing assets and liabilities	19,211	(22,202)
+/- Cash from not financing assets and liabilities	(308)	(325)
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(625,774)	(936,212)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(643,429)**	**(933,659)**
+/- Flows linked to financial assets and investments	(45,809)	(107,490)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(411)	(1,437)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**(46,219)**	**(108,927)**
+/- Cash from or for shareholders	6,500	10,800
+/- Other cash from financing activities	715,123	901,107
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**721,623**	**911,907**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**31,975**	**(130,680)**
Cash flow from operating activities (A)	(643,429)	(933,659)
Cash flow from investing activities (B)	(46,219)	(108,927)
Cash flow from financing activities (C)	721,623	911,907
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	**1,147,429**	**1,278,108**
Cash and balances with central banks (assets & liabilities)	1,134,476	1,175,973
Interbank accounts (assets & liabilities) and loans/deposits at sight	12,953	102,135
Cash and cash equivalents at the end of the period	**1,179,403**	**1,147,429**
Cash and balances with central banks (assets & liabilities)	1,171,588	1,134,476
Interbank accounts (assets & liabilities) and loans/deposits at sight	7,815	12,953
CHANGE IN NET CASH	**31,975**	**(130,680)**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

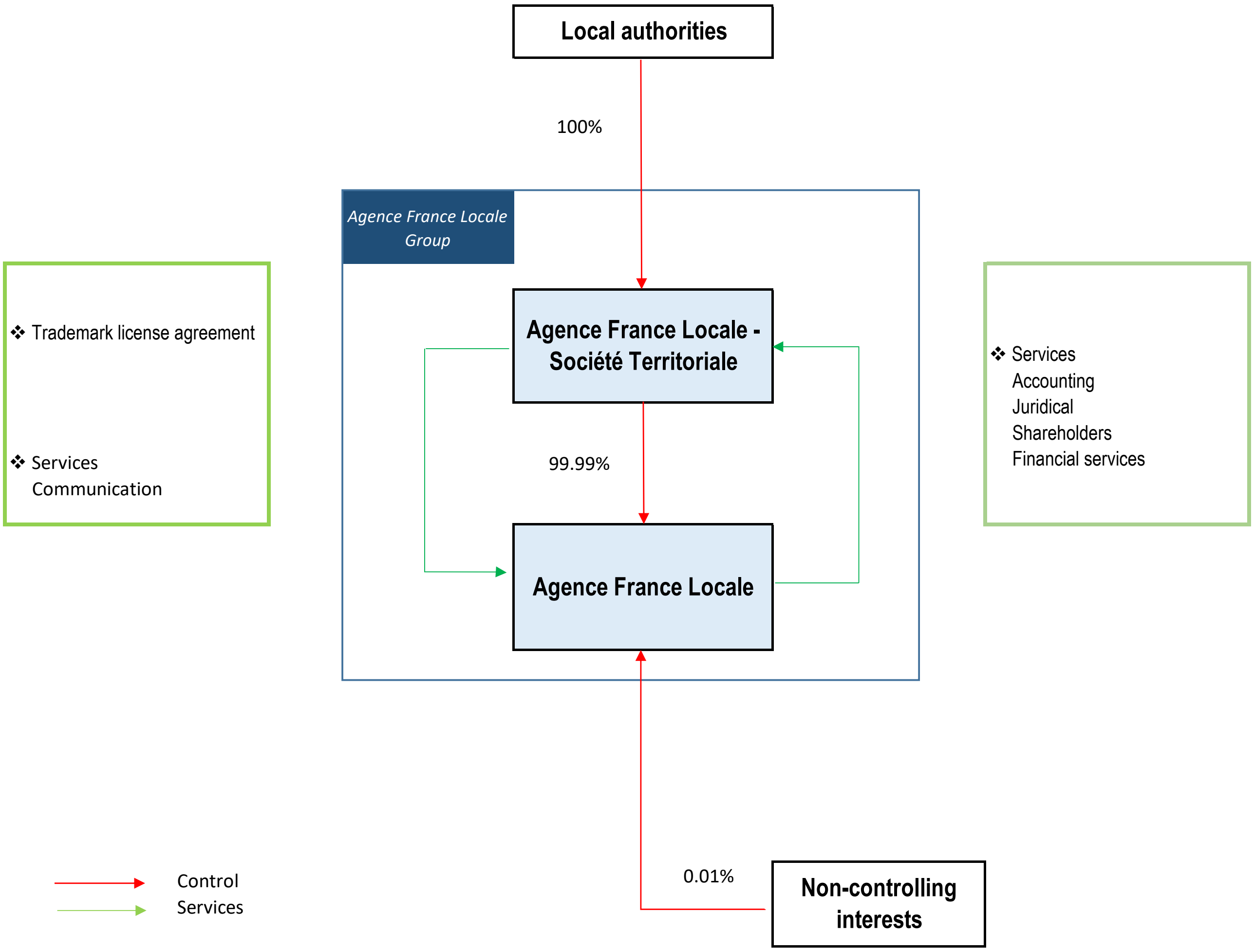
General framework

AFL (« Agence ») presentation

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

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

The diagram below shows the structure of the AFL group:



I - Publication context

The half year 2023 financial statements were approved by the Executive Board on September 11, 2023.

II - Highlights from the first half year

The production of medium and long-term loans carried out by AFL in the first half of 2023 amounted to 525 million euros compared to 215 million euros in the first half of 2022. This new increase in the volume of production from one year on the other is due to two reasons; the regular increase in the number of local authorities Members of the AFL Group, and the maintenance of a good momentum of investment by French local authorities.

In January 2023, a syndicated 750 million euro 7-year issue was successfully completed. This was the second benchmark transaction of this size since the creation of AFL, after the inaugural issue in 2015. The placement of this transaction remains characterized by the presence of a large majority of international investors. In addition, diversification through issues in foreign currencies continued with two tappings of the bond issue in sterling, which had been launched in 2022, for a total amount of £160 million, equivalent of €181 million. Lastly, a private placement denominated in US dollars was renewed for an amount of 125 million.

During the first half of 2023, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL in the amount of 6.5 million euros with two capital increases, thus increasing the share capital from €207.6 million at January 1, 2023 to €214.1 million at June 30, 2023. The AFL Group now has 650 members.

The first half of 2023 marked a strong increase in the net interest margin, to €12,876K compared to €7,655K at June 30, 2022. This increase is due to the following 3 factors:

• The increase in outstanding loans, which is due in particular to the strong production of loans in 2022;

• The sharp increase in the profitability of variable rate assets replacing equity; And

• The improvement in the cost of carrying liquidity due to market expectations of rate hikes below those of the ECB

In addition to interest income, there are commitment and non-use commissions on cash lines in the amount of €76K compared to €94K in the first half of 2022, and capital gains on the sale of investment securities of €450K, after taking into account the result of the termination of hedging relationships for securities, compared to €1,006K in the first half of 2022. Finally, the result of hedge accounting represents an expense of €1,189K.

This results in net banking income of €12,119K as of June 30, 2023, compared to €9,558K as of June 30, 2022.

The increase in interest income observed over the period led to a change in the structure of income resulting from the sharp rise in interest rates and in particular the 3-month Euribor index. As of June 30, 2023, interest income breaks down as follows:

▪ €85.4 million in interest income, net of hedging instruments, on outstanding loans for the first half of 2023, compared to €2.3 million in the first half of 2022. If the increase in volume of loans from one period to the next contributes to the growth of interest income, the explanation for this considerable increase is essentially due to the increase in short rates initiated by the European Central Bank, which represented 400 basis points between June 30, 2022 and June 30, 2023.

▪ €36.7 million in interest income, net of hedging instruments, on liquidity reserve and collateral management assets for the first half of 2023, compared to €5.2 million in interest charges interest in the first half of 2023. This change also reflects the rise in interest rates over the period and in particular the remuneration of deposits that AFL makes with the Banque de France. Indeed, while the interest rate on deposits with the Banque de France was minus 50 basis points as of June 30, 2022, it stood at 4% as of June 30, 2023.

▪ €109.3 million in interest expense, net of hedging instruments, on outstanding debt carried by AFL on the balance sheet, compared to €10.5 million in interest income in the first half of 2022 , when the negative interest rate environment led to recording debt interest as income.

During the period, portfolio management of the liquidity reserve generated €450K in profit on the sale of investment securities net of the cancellation of interest rate hedging instruments for securities subject to disposals. By way of comparison, portfolio management generated a net amount of capital gains on disposals of €1,006K in the first half of 2022.

As of June 30, 2023, net income from hedge accounting amounted to €2,708K compared to €3,153K as of June 30, 2022. It is made up of two elements; on the one hand, proceeds from the termination of interest rate hedging related to the sale of securities mentioned above for €3,898K, and on the other hand the sum of the differences in fair value of the hedged items and their hedging instruments for -€1,189K. Among these differences, -€190K relate to differences in valuation of interest rate hedging instruments classified as macro-hedging, and -€999K relate to differences in valuation of interest rate hedging instruments classified as micro-hedging and denominated in euros. There thus remains, as hedging inefficiencies, latent differences in valuations between the hedged items and the hedging instruments, one of the components of which comes from market practice leading to a valuation asymmetry between on the one hand the hedging instruments collateralized daily and discounted on a €STR curve, and on the other hand, the hedged items discounted on a Euribor curve. It should be noted that this is, however, a latent result.

As of June 30, 2023, general operating expenses represented €7,769K compared to €6,601K as of June 30, 2022. They account for €3,429K in personnel expenses, compared to those of the first half of the previous financial year, which amounted to €2,802K. General operating expenses also include administrative expenses, which amounted to €4,340K, after re-invoicing to Société Territoriale, compared to €3,798K as of June 30, 2022. This increase of €542K in general operating expenses is explained primarily by an increase in taxes and duties, including contributions to banking regulatory bodies, which amounted to €1,132K for the first half of 2022, and which amounted to €1,295K in the first half of 2023, due to a further increase in the 2023 contribution to the Single Resolution Fund to €1,259K compared to €1,094K in 2022.

The result as of June 30, 2023 takes into account depreciation and amortization charges for intangible and tangible assets which amount to €484K compared to €579K as of June 30, 2022. This relative stability marks the maintenance by the AFL of regular and significant investment expenditure in its information systems.

After depreciation and amortization, gross operating income as of June 30, 2023 stands at €3,866K compared to €2,378K for the first half of 2022.

The cost of risk relating to ex-ante depreciation for expected credit losses (ECL) on financial assets under IFRS 9 represents a charge of €71K over the first half of 2023 compared to €391K over the first half 2022. This reduction in the cost of risk comes from a more favorable evolution of the hypotheses retained for the construction of macroeconomic scenarios by asset class in order to take into account a context of stabilization of the macroeconomic and geostrategic environment . The stock of impairments amounted to €1,347K as of June 30, 2023.

After the allocation of the cost of risk resulting from the application of IFRS 9, the operating profit as of June 30, 2023 stands at €3,795K compared to €1,987K as of June 30, 2022.

Finally, tax expenses for 2023 amount to €957K. They include:

• €230K of residual tax payable after allocation of tax losses on a corporate basis;

• €727K in deferred tax expenses, of which €1,066 million in expenses come from the reduction of deferred tax assets linked to the activation of tax losses previously established and €339K in deferred tax income linked to consolidation restatements which mostly stem from hedging ineffectiveness charges.

After taking into account deferred tax charges, the net result amounts to €2,838K compared to €1,397K as of June 30, 2022.

Subsequent events

No significant subsequent events occurred on the beginning of the second half 2023 after the accounts closure date has to be reported.

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

Agence France Locale has decided to publish voluntary financial statement according to IFRS standards. The accounting standards is constantly the French GAAP standards according to legislation applicable in France.
The condensed interim financial statements for the half-year ended June 30, 2022 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 as the closing date, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.
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

Application of IFRS basis

In accordance with IFRS 1 "First-time Adoption of IFRS" and pursuant to European Regulation 1606/2002 of July 19, 2002, the financial statements for first year-half 2019 are presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date. The IFRS framework includes IFRS standards and also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee) et SIC (Standing Interpretations Committee).
The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (Autorité des normes comptables).

Accounting principles applied to the financial statements

The accounting principles and methods used to prepare the interim financial statements are identical to those applied at 31 December 2022.

V - Notes to the Balance Sheet

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

	30/06/2023		31/12/2022	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Financial assets held for trading	20,218	20,207	28,591	28,562
Financial assets at fair value option through profit or loss				
Total financial assets at fair value through profit or loss	**20,218**	**20,207**	**28,591**	**28,562**

Financial assets held for trading

	30/06/2023		31/12/2022	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	20,218	20,207	28,591	28,562
Total Financial assets held for trading	**20,218**	**20,207**	**28,591**	**28,562**

	30/06/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**289,625**	**289,625**	**20,218**	**20,207**	**383,450**	**383,450**	**28,591**	**28,562**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**289,625**	**289,625**	**20,218**	**20,207**	**383,450**	**383,450**	**28,591**	**28,562**
Interest rate contracts	289,625	289,625	20,218	20,207	383,450	383,450	28,591	28,562
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

Note 2 - HEDGING DERIVATIVES

Analysis by type of hedge

	30/06/2023		31/12/2022	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	706,139	905,640	756,089	941,846
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	145,646	27,746	156,171	31,983
Total Hedging derivatives	**851,785**	**933,386**	**912,259**	**973,829**

Detail of derivatives designated as fair value hedges

	30/06/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**8,354,049**	**5,056,522**	**706,139**	**905,640**	**7,187,446**	**5,013,778**	**756,089**	**941,846**
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	**8,354,049**	**5,056,522**	**706,139**	**905,640**	**7,187,446**	**5,013,778**	**756,089**	**941,846**
Interest rate contracts	7,298,642	4,876,500	690,310	734,172	6,211,642	4,809,098	736,789	782,025
FRA								
Cross Currency Swaps	1,055,408	180,022	15,829	171,468	975,805	204,680	19,300	159,821
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

	30/06/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**181,260**	**989,011**	**145,646**	**27,746**	**203,760**	**947,640**	**156,171**	**31,983**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**181,260**	**989,011**	**145,646**	**27,746**	**203,760**	**947,640**	**156,171**	**31,983**
Interest rate contracts	181,260	989,011	145,646	27,746	203,760	947,640	156,171	31,983
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

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

Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2023	31/12/2022
Government paper and similar securities	479,628	604,899
Bonds	219,288	102,407
Other fixed income securities		
Net amount in balance sheet	**698,917**	**707,306**
Including depreciation	(562)	(528)
Including net unrealised gains and losses	(64,660)	(71,918)

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2022	**(528)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movment	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(33)**	**-**	**-**	**-**
Acquisitions	(204)			
Re-estimate of parameters	12			
Bad debts written off				
On sales	159			
Expected losses as of 30th June 2023	**(562)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	30/06/2023	31/12/2022
Local public sector	385,304	464,941
Financial institutions and other financial corporations	313,613	242,365
Non-financial corporations	-	-
Net amount in balance sheet	**698,917**	**707,306**

Fixed income securities held on Financial institutions include € 51,634K of securities guaranteed by States of the European Economic Area.

Changes in Financial assets at fair value through other comprehensive income

(€ '000s)	Total amount as of 31/12/2022	Additions	Disposals	Other movements	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 30/06/2023
Government paper and similar securitie	604,899	305,104	(427,862)	(4,807)	2,880	(469)	(116)	479,628
Bonds	102,407	136,414	(20,016)	-	47	181	254	219,288
Other fixed income securities	-	-	-		-	-	-	-
TOTAL	**707,306**	**441,518**	**(447,878)**	**(4,807)**	**2,927**	**(288)**	**138**	**698,917**

Note 4 - SECURITIES AT AMORTIZED COST

Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2023	31/12/2022
Government paper and similar securities	315,051	249,688
Bonds	7,078	7,203
Other fixed income securities		
Net amount in balance sheet	**322,129**	**256,891**
Including expected credit losses on debt instruments	(341)	(256)

Expected credit losses on securities at amortized cost	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2022	**(256)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total des mouvements de transfert	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(86)**	**-**	**-**	**-**
Acquisitions	(78)			
Re-estimate of parameters	(21)			
Bad debts written off				
On sales	13			
Expected losses as of 30th June 2023	**(341)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	30/06/2023	31/12/2022
Local public sector	172,843	125,191
Financial institutions and other financial corporations	149,286	131,700
Non-financial corporations		
Net amount in balance sheet	**322,129**	**256,891**

Fixed income securities held on Financial institutions include € 142,208K of securities guaranteed by States of the European Economic Area.

Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2022	Additions	Disposals	Other movements	Interest rate Reevaluation	Change in accrued interest	Prem/Disc Amort.	Expected credit losses change	Total amount as of 30/06/2023
Government paper and similar securitie:	249,688	83,541	(19,173)	(1,123)	1,299	906	(0.1)	(86)	315,051
Bonds	7,203			28	(137)	0.4	(17)	0.1	7,078
Other fixed income securities	-	-	-	-	-	-	-	-	-
TOTAL	**256,891**	**83,541**	**(19,173)**	**(1,095)**	**1,162**	**907**	**(17)**	**(86)**	**322,129**

Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	30/06/2023	31/12/2022
Mandatory reserve deposits with central banks	1,171,706	1,134,477
Other deposits		
Cash and central banks	**1,171,706**	**1,134,477**
Impairment	(67)	(65)
Net amount in balance sheet	**1,171,639**	**1,134,411**

Receivables on credit institutions

(€ '000s)	30/06/2023	31/12/2022
Loans and receivables		
- on demand and short notice	7,832	12,964
- term	80,852	80,219
Cash collateral paid	156,176	177,604
Securities bought under repurchase agreements		
TOTAL	**244,861**	**270,787**
Impairment for expected losses	(32)	(32)
NET CARRYING AMOUNT	**244,828**	**270,754**

Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2023	31/12/2022
Short-term credit facilities	15,215	8,698
Other loans	5,354,887	4,682,094
Customers transactions before impairment charges	**5,370,102**	**4,690,792**
Impairment	(326)	(377)
Net carrying amount	**5,369,776**	**4,690,415**
Of which individual impairment	(326)	(377)
Of which collective impairment		

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2022	**(278)**	**(197)**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month	(8)	8		
Transfers from expected to incurred losses				
Total transfer movment	**(8)**	**8**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(32)**	**81**	**-**	**-**
Production and acquisition	(43)	(2)		
Re-estimate of parameters	(1)	83		
Bad debts written off				
Repayments	12	0.4		
Expected losses as of 30th June 2023	**(317)**	**(109)**	**-**	**-**

SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

(€ '000s)	31/12/2022	Depreciation charges	Reversals amounts not used	Net charge	Utilised	30/06/2023
Financial assets at fair value through other comprehensive income						
Depreciations on performing assets	528	192	(159)	**33**		**562**
Depreciations on non-performing assets	-					**-**
Depreciations on doubtfull assets	-					**-**
Total	**528**	**192**	**(159)**	**33**		**562**
Financial assets at amortized cost						
Depreciations on performing assets	534	143	(18)	**125**		**660**
Depreciations on non-performing assets	196	(80)	(8)	**(88)**		**108**
Depreciations on doubtfull assets	-					**-**
Total	**731**	**63**	**(26)**	**37**		**768**

CLASSIFICATION OF FINANCIAL ASSETS BY RISK LEVEL

(€ '000s)	Gross amount			Depreciation			Net Amount
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	
Accounts with central banks	1,171,706			(67)			**1,171,639**
Financial assets at fair value through other comprehensive income	699,478			(562)			**698,917**
Securities at amortized cost	322,470			(341)			**322,129**
Loans and receivables due from credit institutions at amortized cost	244,861			(32)			**244,828**
Loans and receivables due from customers at amortized cost	5,279,820	90,212	70	(218)	(107)	(0.04)	**5,369,776**

Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	30/06/2023	31/12/2022
Net asset as at 1st of january	**6,175**	**5,204**
Of which deferred tax assets	6,641	5,374
Of which deferred tax liabilities	467	169
Recognised in income statement	**(727)**	**(1,029)**
Income statement (charge) / credit	(727)	(1,029)
Recognised in equity	**588**	**1,999**
Financial assets at fair value through other comprehensive income	(63)	861
Cash flow hedges	651	1,139
Other		
Net asset as at	**6,036**	**6,175**
Of which deferred tax assets	6,163	6,641
Of which deferred tax liabilities	128	467

Deferred tax are attributable to the following items:

(€ '000s)	30/06/2023	31/12/2022
Financial assets at fair value through other comprehensive income	628	691
Cash flow hedges	1,807	1,157
Losses carried forward	3,728	4,793
Other temporary differences		
TOTAL DEFERRED TAX ASSETS	**6,163**	**6,641**

(€ '000s)	30/06/2023	31/12/2022
Financial assets at fair value through other comprehensive income		
Cash flow hedges		
Other temporary differences	128	467
TOTAL DEFERRED TAX LIABILITIES	**128**	**467**

Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2023	31/12/2022
Other assets		
Deposits	239	238
Other assets	252	323
Impairment		
Total	**491**	**561**
Accruals		
Prepaid charges	651	266
Other deferred income	81	
Transaction to recieve and settlement accounts		0.3
Other accruals	239	226
Total	**971**	**492**
TOTAL OTHER ASSETS AND ACCRUALS	**1,463**	**1,053**

Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2022	Additions	Transfers	Disposals	Amort. and provisions	Other	30/06/2023
Intangible fixed assets							
IT development costs	12,641	160	(37)			(57)	12,708
Other intangible assets	163						163
Intangible assets in progress		116					116
Intangible fixed assets gross amount	**12,804**	**276**	**(37)**	**-**	**-**	**(57)**	**12,987**
Depreciation and allowances - Intangible fixed assets	(10,423)		37		(372)		(10,758)
Intangible fixed assets net carrying amount	**2,381**	**276**	**-**	**-**	**(372)**	**(57)**	**2,229**

Tangible fixed assets	31/12/2022	Additions	Disposals	Amort. and provisions	Other	30/06/2023
Commercial leases	1,347					1,347
Property, plant & equipment	412	54		(5)		462
Tangible fixed assets gross amount	**1,759**	**54**	**-**	**(5)**	**-**	**1,808**
Depreciation and allowances - Tangible fixed assets	(658)		4	(112)		(767)
Tangible fixed assets net carrying amount	**1,101**	**54**	**4**	**(117)**	**-**	**1,042**

Note 10 - DEBT SECURITIES

(€ '000s)	30/06/2023	31/12/2022
Negotiable debt securities	347,213	370,794
Bonds	6,988,067	6,218,288
Other debt securities		
TOTAL	**7,335,281**	**6,589,082**

NOTE 11 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	30/06/2023	31/12/2022
Loans and receivables		
- on demand and short notice	0.1	0.2
- term		
Cash collateral paid	81,066	102,377
Securities bought under repurchase agreements		
TOTAL	**81,067**	**102,377**

Note 12 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	30/06/2023	31/12/2022
Other liabilities		
Miscellaneous creditors	2,572	2,277
Total	**2,572**	**2,277**
Accruals		
Transaction to pay and settlement accounts	296	
Other accrued expenses	1,200	1,667
Unearned income	2	
Other accruals	30	32
Total	**1,528**	**1,699**
TOTAL ACCRUALS AND OTHER LIABILITIES	**4,099**	**3,976**

Note 13 - PROVISIONS

(€ '000s)	Balance as of 31/12/2022	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 30/06/2023
Provisions						
Financing commitment execution risks	16	19		(17)		18
Provisions for litigations						
Provisions for employee retirement and similar benefits	124					124
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**140**	**19**	**-**	**(17)**	**-**	**142**

OFF-BALANCE SHEET

(€ '000s)	30/06/2023	31/12/2022
Commitments given	**572,902**	**810,248**
Financing commitments	514,667	810,248
For credit institutions		
For customers	*514,667*	*810,248*
Guarantee commitments	58,235	
For credit institutions		
For customers	*58,235*	
Commitments on securities		
Securities to be delivered to the issuance		
Other securities to be delivered		
Commitments received	**1,893**	**1,960**
Financing commitments		
From credit institutions		
Guarantee commitments	1,893	1,960
From credit institutions		
From customers	*1,893*	*1,960*
Commitments on securities		
Securities receivable		

EXPECTED LOSSES ON COMMITMENTS

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2022	**16**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**2**			
Charge	19			
Utilised				
Reversal untilised	(17)			
Expected losses as of 30th June 2023	**18**	**-**	**-**	**-**

VI - Notes to the Income Statement

Note 14 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Interest and similar income	**135,185**	**19,008**	**50,509**
Due from banks	23,546	229	4,502
Due from customers	78,371	4,704	33,007
Bonds and other fixed income securities	14,458		2,101
Financial assets at fair value through other comprehensive income	*9,915*		*1,068*
Securities at amortized cost	*4,543*		*1,033*
Debt securities		10,540	
Macro-hedge transactions	13,149	1,360	6,106
Other interest income	5,661	2,175	4,793
Interest and similar expenses	**(122,309)**	**(11,353)**	**(34,907)**
Due to banks	(1,265)	(3,477)	(4,128)
Bonds and other fixed income securities		(1,926)	
Financial assets at fair value through other comprehensive income		*(1,805)*	
Securities at amortized cost		*(120)*	
Debt securities	(109,274)		(18,036)
Macro-hedge transactions	(6,086)	(3,776)	(7,931)
Other interest expenses	(5,684)	(2,175)	(4,812)
Interest margin	**12,876**	**7,655**	**15,602**

Note 15 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Fee & Commission Income	**76**	**94**	**301**
Interbank transactions			
Customer transactions			100
Securities transactions			
Forward financial instruments transactions			
Currencies transactions			
Financing commitments and guarantee	76	94	201
Other commissions recieved			
Fee & Commission Expense	**(118)**	**(75)**	**(153)**
Interbank transactions	(43)	(7)	(16)
Securities transactions			
Forward financial instruments transactions	(75)	(68)	(136)
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net Fee and Commission income	**(42)**	**19**	**148**

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

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Gains/(losses) on Trading book	15	(3)	(18)
Net result of hedge accounting	2,708	3,153	8,986
Net result of foreign exchange transactions	10	5	(0.02)
TOTAL	**2,733**	**3,154**	**8,968**

Analysis of net result of hedge accounting

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Fair value hedges			
Fair value changes in the hedged item attributable to the hedged risk	92,692	53,498	138,213
Fair value changes in the hedging derivatives	(93,691)	(52,311)	(136,860)
Hedging relationship disposal gain	3,898	2,276	8,617
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	8,220	(80,335)	(132,739)
Fair value changes in the hedging derivatives	(8,411)	80,025	131,755
Net result of hedge accounting	**2,708**	**3,153**	**8,986**

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

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Gains from disposal of fixed income securities	335	2,095	2,124
Losses from disposal of fixed income securities	(3,783)	(3,365)	(9,274)
Gains from disposal of variable income securities			
Other income/(expenses) from Financial assets at fair value through other comprehensive income			
Impairment (charges) and reversals on Financial assets at fair value through other comprehensive income			
Gains or (losses) on Financial assets at fair value through other comprehensive income	**(3,448)**	**(1,270)**	**(7,150)**

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

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Gains on derecognition of fixed income securities at amotised cost			
Losses on derecognition of fixed income securities at amotised cost			
Gains on loans sold			
Losses on loans sold			
Total Net gains and losses on derecognition of financial assets at amortised cost	**-**	**-**	**-**

Note 19 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2023	30/06/2022	31/12/2022
Employee expenses			
Wages and salaries	2,212	1,857	4,088
Post-employment benefit expenses	210	178	377
Other expenses	1,007	767	1,658
Total Employee expenses	**3,429**	**2,802**	**6,124**
Operating expenses			
Taxes and duties	1,395	1,230	1,169
External services	3,024	2,645	5,373
Total Administrative expenses	**4,419**	**3,875**	**6,542**
Charge-backs and reclassification of administrative expenses	(79)	(77)	(153)
Total General operating expenses	**7,769**	**6,601**	**12,513**

Note 20 - COST OF RISK

(€ '000s)	**30/06/2023**	**30/06/2022**	**31/12/2022**
Net charge to provisions	(69)	(392)	(398)
for financial assets at fair value through other comprehensive income	*(33)*	*(222)*	*(75)*
for financial assets at amortized cost	*(36)*	*(170)*	*(323)*
Net charge to provisions	(2)	1	(6)
for financing commitments	*(2)*	*1*	*(6)*
for guarantee commitments			
Irrecoverable loans written off not covered by provisions			
Recoveries of bad debts written off			
Total Cost of risk	**(71)**	**(391)**	**(404)**

Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS

(€ '000s)	**30/06/2023**	**30/06/2022**	**31/12/2022**
Gains on sales of Investment securities			
Gains on sales of tangible or intangible assets	1		
Reversal of impairment			
Total Gains on other assets	**1**	**-**	**-**
Losses on sales of Investment securities			
Losses on sales of tangible or intangible assets	(1)		
Charge of impairment			
Total Losses on other assets	**(1)**	**-**	**-**

Note 22 - INCOME TAX

(€ '000s)	**30/06/2023**	**30/06/2022**	**31/12/2022**
Expense and income of current tax	(230)		
Expense and income of differed tax	(727)	(589)	(1,029)
Ajustement on previous period			
Total Income tax	**(957)**	**(589)**	**(1,029)**

VII - Notes to Risk exposure

A - Fair value of financial instruments

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

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

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

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

Fair value of instruments carried at fair value:

	30/06/2023			
	Total	Measured using		
(€ '000s)		Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss	**20,218**	-	20,218	-
Hedging derivative instruments	**851,785**	-	851,785	-
Government paper and similar securities	479,628	479,628	-	-
Bonds	219,288	147,182	-	72,106
Other fixed income securities	-	-	-	-
Total Financial assets at fair value through other comprehensive income	**698,917**	**626,810**	**-**	**72,106**
Total Financial assets	**1,570,920**	**626,810**	**872,003**	**72,106**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**20,207**	-	20,207	-
Hedging derivative instruments	**933,386**	-	933,386	-
Total Financial liabilities	**953,592**	**-**	**953,592**	**-**

Fair values of instruments carried at amortised cost:

	30/06/2023				
	Net Carrying value	Fair value	Measured using		
(€ '000s)			Level 1	Level 2	Level 3
Financial assets					
Cash, central banks and issuing institutions	**1,171,639**	**1,171,639**	-	-	1,171,639
Government paper and similar securities	315,051	314,364	220,247	-	94,117
Bonds	7,078	6,842	6,842	-	-
Other fixed income securities	-	-	-	-	-
Total Securities at amortized cost	**322,129**	**321,206**	227,089	-	94,117
Loans and receivables due from credit institutions	**244,828**	244,828	-	-	244,828
Loans and advances to customers (*)	**5,249,067**	5,249,067	-	-	5,249,067
Total Financial assets	**6,987,663**	**6,986,740**	**227,089**	**-**	**6,759,651**
Financial liabilities					
Debt securities	**7,335,281**	7,332,771	6,135,126	847,645	350,000
Total Financial liabilities	**7,335,281**	**7,332,771**	**6,135,126**	**847,645**	**350,000**

(*) The fair value of loans and receivables to customers includes the outstanding capital and the revaluation in interest rates of the loans hedged on the closing date.
For Loans and receivables due from credit institutions, which are deposits, the fair value used was the nominal value.

B - Credit risk exposure

The tables below disclose the maximum exposure to credit risk at 30 June 2023 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 30/06/2023
Cash, central banks	1,171,706		(67)	**1,171,639**
Financial assets at fair value through profit or loss	20,218			**20,218**
Hedging derivative instruments	851,785			**851,785**
Financial assets at fair value through other comprehensive income	698,917			**698,917**
Securities at amortized cost	322,470		(341)	**322,129**
Loans and receivables due from credit institutions	244,861		(32)	**244,828**
Loans and advances to customers	5,370,032	70	(326)	**5,369,776**
Revaluation adjustment on interest rate hedged portfolios				**-**
Current tax assets				**-**
Other assets	491			**491**
Sub-total Assets	**8,680,481**	**70**	**(767)**	**8,679,783**
Financing commitments given	514,667			**514,667**
TOTAL Credit risk exposure	**9,195,147**	**70**	**(767)**	**9,194,450**

Exposure analysis by counterparty

(€ '000s)	Total 30/06/2023
Central banks	1,171,639
Local public sector	6,442,994
Credit institutions guaranteed by the EEA States	193,842
Credit institutions	1,385,889
Other financial corporations guaranteed by the EEA States	
Other financial corporations	
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	87
Total Exposure by counterparty	**9,194,450**

Agence France Locale's very cautious investment policy prefers securities issued by States and central governments, or ones that are guaranteed by such counterparties.
Credit institutions exposures primarily result from cash management and interest rates hedging transactions.

Exposure analysis by geographic area

(€ '000s)	Total 30/06/2023
France	8,444,422
Supranational	226,339
Canada	174,517
Finland	65,732
Germany	53,246
New Zealand	44,885
Switzerland	40,735
Iceland	22,990
South Korea	22,864
Japan	19,826
Spain	19,696
Netherlands	13,400
Sweden	13,003
Poland	12,376
Denmark	11,286
Belgium	9,133
Total Exposure by geographic area	**9,194,450**

As credits are solely granted to French local authorities, the largest exposure is to France.
Exposures to other countries (EEA, North America, Asia and Oceania) result from Agence France Locale's cash management policy and its investment in sovereign or equivalent securities.

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

(€ '000s)	Less than 3 month	3 month to 1 year	1 year to 5 years	more than 5 years	Total	Related receivables and payables	Revaluation	Total 30/06/2023
Cash, central banks	1,171,639				**1,171,639**			**1,171,639**
Financial assets at fair value through profit or loss	14	1,869	11,711	6,615	**20,210**	**9**		**20,218**
Hedging derivative instruments	176	2,713	72,873	778,287	**854,048**	**(2,263)**		**851,785**
Financial assets at fair value through other comprehensive income								
Government paper and similar securities	11,005	30,310	264,233	226,833	532,381	2,064	(54,817)	479,628
Bonds		64,526	144,134	19,535	228,195	937	(9,844)	219,288
Total Financial assets at fair value through other comprehensive income	**11,005**	**94,836**	**408,367**	**246,369**	**760,576**	**3,001**	**(64,660)**	**698,917**
Securities at amortized cost								
Government paper and similar securities		35,081	134,861	168,503	338,445	1,655	(25,049)	315,051
Bonds				7,129	7,129	101	(152)	7,078
Total Securities at amortized cost	**-**	**35,081**	**134,861**	**175,632**	**345,575**	**1,756**	**(25,201)**	**322,129**
Loans and receivables due from credit institutions	163,578		80,000		**243,578**	1,250		**244,828**
Loans and advances to customers	161,147	391,017	1,667,221	3,747,555	**5,966,940**	**14,670**	**(611,835)**	**5,369,776**
Revaluation adjustment on interest rate hedged portfolios								**-**
Current tax assets								**-**
Other assets	491				**491**			**491**
TOTAL ASSETS								**8,679,783**

Central banks								**-**
Financial assets at fair value through profit or loss	14	1,869	11,713	6,615	**20,211**	**(5)**		**20,207**
Hedging derivative instruments	27	29,943	310,923	602,889	**943,782**	**(10,396)**		**933,386**
Debt securities	223,926	943,985	2,827,158	4,134,651	**8,129,720**	**22,600**	**(817,039)**	**7,335,281**
Due to credit institutions	81,067				**81,067**			**81,067**
Revaluation adjustment on interest rate hedged portfolios							**120,709**	**120,709**
Other liabilities	2,572				**2,572**			**2,572**
TOTAL LIABILITIES								**8,493,220**

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

D - Interest rate risk: sensitivity to interest rate changes

Exposure to interest rate risk relates to that of the Operational subsidiary, Agence France Locale. The rate risk management policy and its implications on the first half of 2023 are described into the financial report as at 30th June 2023.

Agence France Locale S.A.

Statutory Auditors' Review Report on the interim condensed financial statements in accordance with IFRS

For the six-month period ended June 30, 2023
Agence France Locale S.A.

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

Agence France Locale S.A.

Statutory Auditors' Review Report on the interim condensed financial statements in accordance with IFRS

For the six-month period ended June 30, 2023

To the Shareholders,

In our capacity as Statutory Auditors of Agence France Locale S.A. and in accordance to your request made in the context of your willingness to produce an extended financial information to investors, we conducted a review of the accompanying interim condensed financial statements of Agence France Locale S.A. prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union, for the period from January 1, 2023 to June 30, 2023.

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

We conducted our review in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at June 30, 2022 do not present fairly, in all material respects, the assets and liabilities and the financial position of the company as at 30 June, 2023 and the results of its operations for the period then ended, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes.

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

Paris La Défense, on the 25 September 2023	Paris, on the 25 September 2023
KPMG S.A.	Cailliau Dedouit et Associés
Xavier de Coninck *Partner*	Sandrine Le Mao *Partner*

Agence France Locale
Pillar 3 as of June 30, 2023

General Provisions

The information contained in this document concerns Agence France Locale - Société Territoriale (LEI: 9695002K2HDLD20JU790) at the consolidated level as of June 30, 2023. Also when AFL-ST is mentioned in the rest of the report, the AFL Group should be understood as a consolidated one.

The scope of consolidation consists of Agence France Locale (LEI: 969500NMI4UP00IO8G47), which is 99.9999% owned. The data are presented in euros and under IFRS.

The information presented complies with Commission Implementing Regulation (EU) 2021/637 of March 15, 2021 defining implementing technical standards for the publication, by institutions, of the information referred to in Titles II and III of the eighth part of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, known as "Pillar 3".

In accordance with Article 19 (4) of the aforementioned regulation, the numerical values are presented as follows:

- Quantitative monetary data is published with a precision corresponding to the units;
- Quantitative data published in "Percentage" is expressed with a minimum precision of four decimal places.

Special provisions

Template EU KM1 - Template for key indicators

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	195 632 472	191 729 572	185 726 404	181 861 276	183 891 641
2	Tier 1 capital	195 632 472	191 729 572	185 726 404	181 861 276	183 891 641
3	Total capital	195 632 472	191 729 572	185 726 404	181 861 276	183 891 641
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1 303 992 406	1 238 187 404	1 192 535 827	1 177 196 849	1 134 143 541
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15,00%	15,48%	15,57%	15,45%	16,21%
6	Tier 1 ratio (%)	15,00%	15,48%	15,57%	15,45%	16,21%
7	Total capital ratio (%)	15,00%	15,48%	15,57%	15,45%	16,21%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,25%	1,25%	1,25%	1,25%	1,25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,70%	0,70%	0,70%	0,70%	0,70%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,94%	0,94%	0,94%	0,94%	0,94%
EU 7d	Total SREP own funds requirements (%)	9,25%	9,25%	9,25%	9,25%	9,25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0,25%	0,01%	0,01%	0,01%	0,00%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	2,50%	2,51%	2,51%	2,51%	2,50%
EU 11a	Overall capital requirements (%)	11,76%	11,76%	11,76%	11,76%	11,76%
12	CET1 available after meeting the total SREP own funds requirements (%)	127 824 867	127 343 827	123 714 541	120 647 040	124 916 177
	Leverage ratio					
13	Total exposure measure	2 520 938 327	2 490 852 257	2 379 204 052	2 128 685 274	2 310 992 842
14	Leverage ratio (%)	7,76%	7,70%	7,81%	8,54%	7,96%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1 847 706 950	1 881 392 859	1 873 704 318	1 602 228 714	1 624 636 843
EU 16a	Cash outflows - Total weighted value	148 687 864	175 115 862	421 307 801	179 362 676	202 571 799
EU 16b	Cash inflows - Total weighted value	141 937 728	66 664 140	48 600 145	129 737 720	80 067 500
16	Total net cash outflows (adjusted value)	37 171 966	108 451 722	372 707 655	49 624 955	122 504 299
17	Liquidity coverage ratio (%)	4970,70%	1734,77%	502,73%	3228,68%	1326,19%
	Net Stable Funding Ratio					
18	Total available stable funding	6 739 888 786	6 618 059 126	5 547 371 740	5 814 132 888	6 248 125 221
19	Total required stable funding	3 719 530 191	2 886 138 644	3 863 318 344	3 564 548 746	3 312 392 343
20	NSFR ratio (%)	181,20%	229,30%	143,59%	163,11%	188,63%

STATEMENT ON THE ADEQUACY OF THE AFL GROUP'S RISK MANAGEMENT SYSTEMS

We certify the adequacy of the AFL Group's risk management system and ensure that the risk management systems put in place since the creation of the AFL are appropriate, given the risk profile of the AFL Group and its strategy.

Yves Millardet

AFL-ST Deputy Chief Executive Officer

AFL Chairperson of the Management Board