

First half-year 2023:

AFL reinforces its model with a very strong balance sheet and results and keeps its promise to its member authorities by continuing to increase its lending on competitive terms.

After the meetings of the Supervisory Board of Agence France Locale and the Board of Directors of Agence France Locale – Société Territoriale, on September 25, 2023, Sacha Briand, Chairperson of AFL's Supervisory Board, and Yves Millardet, Chairperson of the Management Board, commended "a record-breaking first half of the year in terms of results, driven particularly by the doubling of loan origination compared with the same period last year".

AFL Group announces a strong improvement in its results:

- **The highest gross operating income recorded by AFL Group over one half-year since it was created**
- **The doubling of consolidated net income compared with the first half of 2022**
- **A 69% rise in the net interest margin versus the first half of 2022**
- **Strong increase in loan origination to €525 million**
- **Solvency ratio stable at 15%**

Consolidated results in key figures at June 30, 2023:

Member local authorities: **650**

Pledged capital: **€274** million

Funding raised on the markets during the first half of the year: **€1,711** million

Permanent employees: **36**

Net interest margin: **€12,940K** (+69% vs June 30, 2022)

Gross operating income:

€3,868K (+63% vs June 30, 2022)

Net income after tax: **€2,840K** (+103% vs June 30, 2022)

Cost/income ratio: **68.2%**

Solvency ratio: **15.0%**



Rapid development due especially to the increase in loan origination

The member base continues to grow

During the first half of 2023, AFL Group continued to develop at a fast pace, as 51 new local authority members joined, bringing the total number of members to 650 authorities at June 30, 2023.

At June 30, 2023, AFL Group's members consisted of 6 regions, 12 departments, 493 municipalities and 139 EPCIs (groupings of municipalities), including 14 cities and 29 unions.

Record loan origination during the first half of the year

There was record lending to member local authorities in 2022, and this momentum continued in the first half of 2023, reaching €525 million, in other words more than double the loans originated during the first half of 2022. This trend reflects the competitiveness of the lending terms offered by AFL, in an environment where investment spending by local authorities remains buoyant.

Refinancing through long-term debt issues

During the first half of 2023, AFL Group raised €1.7 billion, i.e. more than 80% of the borrowing program planned for 2023, at a weighted average margin 49.8 basis points higher than the French treasury bond (Obligation Assimilable du Trésor or OAT) curve and an average maturity of 9.3 years, ensuring the matching of the balance sheet by appropriate funding resources. This amount was raised through a mix of syndicated issues, including the first 15-year €500 million issue and private placements denominated in euros and other currencies.

A virtuous trajectory resulting in a strong improvement in the financial results

During the first half of 2023, AFL Group's net interest margin **grew by 69% compared with the first half of 2022, to €12,940K**, i.e. more than 80% of the net interest margin recorded for 2022. With operating expenses, depreciation and amortization of €8,311K at June 30, 2023, versus €7,192K at June 30, 2022, **gross operating income stood at €3,868K, representing a 63% increase** compared with the first half of 2022 and **the best result recorded by AFL Group over a half-year since it was created**.

This further improvement in AFL Group's financial results is down to three factors:

- The steady and rapid increase in outstanding loans to local authorities,
- A sharp rise in the return on equity reinvested in assets, related to the raising of the European Central Bank's key rates,



Media contact

Matthieu Bierce – Press Relations Officer
Matthieu.bierce@afl-banque.fr – +33 (0)6 38 45 88 60



Investor contacts

Romain Netter – Executive Director – Medium and Long-Term Funding
romain.netter@afl-banque.fr

- A reduction in the cost of carry of the liquidity reserve.

“This shows the strength of AFL Group’s business model, which is able to maintain highly competitive lending for its members in an economic environment marked by a step change in the European Central Bank’s monetary policies”, confirmed Yves Millardet, Chairperson of AFL’s Management Board.

Like every year, AFL Group has also generated capital gains on disposals through the management of its liquidity portfolio, amounting to €450K in the first half of 2023.

The cost of risk relating to ex-ante impairments for expected losses on AFL Group’s assets is equal to a €71K expense, down on the first half of 2022, when impairments totaled €392K. This reduction is attributable firstly to the positive change in the assumptions used to construct macro-economic scenarios for each asset class, to take into account the stabilization of the geostrategic and macro-economic environment, and secondly to the very high quality of the loan portfolio.

After the cost of risk and tax expenses are deducted, **net income more than doubled compared with the first half of 2022, standing at €2,840K, versus €1,397K (+103%).**

Spotlight: a model that performs well against a backdrop of market tensions

“AFL Group has demonstrated its strong ability to perform well in a new environment affected by war on Europe’s doorstep, the pressure on public budgets created by investments in the ecological transition, and the step change in the monetary policy of central banks. As such it has carried out its issue and lending activities on the best terms so as to meet authorities’ needs as thoroughly as possible. This was the source of its strength during this first half of the year”, stated Sacha Briand, Chairperson of AFL’s Supervisory Board.

A very robust financial structure that enables AFL Group to continue its rapid growth

AFL Group has a very robust financial structure, as can be seen from its capital and liquidity ratios at June 30, 2023. This gives it considerable leeway to assist its member authorities with the financing of their investment spending, at a time when they are dealing with the effect of inflation on their operating budgets, and when they are leading the furthering of the energy and climate transition locally.

- The (consolidated) CET1 solvency ratio is 15.0%, compared with 15.57% at December 31, 2022;



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- The leverage ratio (under CRR2), based on the methodology applicable to public development credit institutions, is 7.76%, compared with 7.81% at December 31, 2021;
- The LCR ratio is 4,960%, versus 500% at December 31, 2022, underscoring the very comfortable level of AFL Group's liquidity portfolio, thanks to which it is able to meet all of its needs for nearly 12 months without turning to the market;
- The 12-month internal liquidity ratio (the Net Cash Requirement Ratio or NCRR) is 107%, i.e. a level in keeping with AFL's liquidity policy, with its lower limit of 80% and upper limit of 125%.

This solidity has once again been recognized by the rating agencies Standard & Poor's, on May 24, 2023, and Moody's, on June 1, 2023, which have confirmed AFL's long-term and short-term financial ratings of AA- and Aa3 (stable outlook) and A-1+ and P-1 respectively.

- AFL Group's activities have a very low cost of risk, intrinsic to its public development credit institution model, its prudent management and the high solvency of the local authorities. At June 30, 2023, cost of risk was €71K, with cumulative provisions of €1,352K, versus €1,267K at June 30, 2022, i.e. a provisioning rate of 1.7 basis points of outstanding loans.
- AFL's status as a public development credit institution means that it is able to fully perform its role as a general interest-focused public policy body, and so serve as an appropriate tool for local authorities to finance the energy and climate transitions.

Subsequent events and outlook

- Since June 30, 2023, more than 70 new local authorities have voted to join AFL Group, bringing the number of new members to more than 120 since the start of the year, in other words more than for the full-year 2022.
- AFL-ST's Board of Directors launched the 37th capital increase on September 25, 2023.
- Loan origination is growing at a fast pace and stands at €735 million to date.

AFL's Management Board signed off on AFL's interim financial statements for the first half of 2023 on September 11, 2023. At its meeting on September 25, 2023, chaired by Sacha Briand, AFL's Supervisory Board approved AFL's interim financial statements.

At its meeting on September 25, 2023, chaired by Marie Ducamin, the Board of Directors of AFL-ST, the Société Territoriale (parent company), approved AFL Group's consolidated interim financial statements.



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The Statutory Auditors conducted a limited review of the concise interim parent company and consolidated financial statements for the period from January 1, 2023 to June 30, 2023, and their reports are available at:

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

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

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

<https://www.agence-france-locale.fr/actualite/first-half-year-2023-afl-reinforces-its-model-with-a-very-strong-balance-sheet-and-results/>

About Agence France Locale

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

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

More information can be found on www.afl-banque.fr



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