# AFL HALF YEARLY REPORT

## From January 1, 2022 to June 30, 2022.

# EDITORIAL BY THE CHAIRPERSON OF THE MANAGEMENT BOARD

**Yves Millardet, Chairperson of the AFL Management Board**

"The growth of AFL's activities continued during the first half of 2022 with a sustained rate of new local authority memberships, similar to that experienced by the Company in 2021. This augurs well for the AFL's growing role in financing local authorities, which it has acquired thanks to a model that year after year demonstrates its solidity and efficiency. Created at the instigation of associations of local elected representatives, the AFL has also kept its original promise to be the bank for all communities, small and large, urban and rural areas, in mainland France as well as French overseas territories. The business model of a bank with a lean organization, demonstrates its effectiveness every day, and continues to adapt as the business grows. Lastly, the current context is characterized by strong economic, financial and geopolitical uncertainties. Therefore, pooling needs and resources is a remarkably effective lever for accessing the bond markets under the best conditions, particularly via sustainable bonds. AFL thus provides all member local authorities with competitive access to the liquidity and responsible financing they need to finance their capital expenditure. With 521 members representing 22% of the total outstanding debt of French local authorities at June 30, 2022, and a positive result since 2020, AFL has solid fundamentals to continue its development over the coming years".

# KEY FIGURES AT JUNE 30, 2022

**521**
Member local authorities

**€262**
million of pledged capital

**€5,8**
billion of loans granted since the creation of AFL

**€9,6**
million of net banking income

**€2,378**
thousand of gross operating income

**€1,397**
thousand of net income

# ACTIVITIES DURING THE FIRST HALF-YEAR 2022

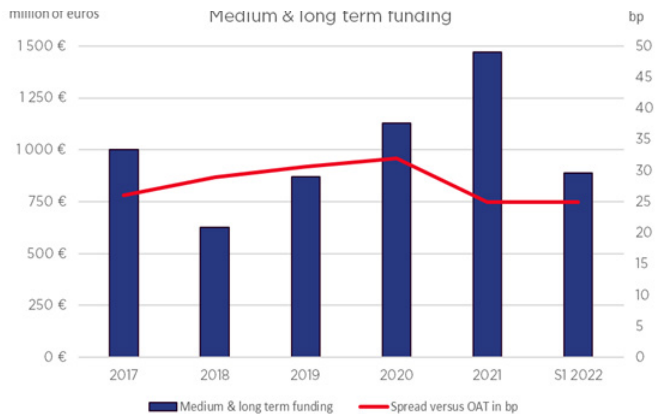
## MEMBERSHIPS

During the first half-year 2022, 25 new memberships were recorded, for a capital contribution of nearly €20 million, i.e. in six months, an amount equivalent to the average annual amount of capital contributions made between 2017 and 2020, demonstrating the continued strong growth in memberships.


As of September 28, 2022, AFL's pledged capital amounted to €262 million for a total of 521 member local authorities. During the first half-year 2022, a new region, Aquitaine, became a member, in addition to 2 new unions, 2 new municipality communities, 1 urban community and 19 municipalities. In total, among its members, the AFL Group has 6 regions, 14 metropolis areas and 11 departments.

## RESOURCES

In the first half of 2022, AFL was able to raise resources under very good conditions, notably with a new €500 million sustainable bond issue and a syndicated issue denominated in pounds sterling, i.e. for the first time in a currency other than the Euro. Supplemented by three private placements, the AFL carried out 75% of its borrowing program for 2022 during the first half of the year, at an average margin of 25 basis points above the Obligations Assimilables du Trésor (French Treasury bonds).




# LOAN PRODUCTION

Despite the very strong constraint caused by the level applied to the usury rate in the first half-year 2022 for loans to local authorities, AFL's loan production continued, albeit at a limited pace, reaching €215 million at June 30, 2022. During the first days after the publication of the new usury rate applicable for the third quarter, a very rapid catch-up in loan production was triggered. At June 30, 2022, cumulative loan production (since the creation of AFL in 2015) amounted to €5.8 billion.

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# 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 | Agence France Locale Société Territoriale |
| ALM | Asset and Liability Management |
| ALT | Average lifetime |
| AMF | *Autorité des Marchés Financiers* (French Financial Markets Authority) |
| 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 negotiable debt securities |
| EMTN | Euro Medium Term Notes - bonds |
| FGTC | French General Tax Code |
| GOP | Gross operating income |
| GRC | Global Risk Committee |
| HQLA | High Quality Liquid Assets |
| ICC | Initial Capital Contribution |
| IMR | Initial Margin Requirement |
| LCR | Liquidity Coverage Ratio |
| LPE | Local public entity |
| 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) |
| RAC | Audit and Risk Committee |
| RRD | Recovery and Resolution Directive |
| RWAs | Risk Weighted Asset |
| SaaS | Software as a Service |
| TL-TRO | Targeted longer-term refinancing operations |

## 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 each of them is limited to 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" is set by the Board of Directors. It was increased from €5 billion to €10 billion by the Board of Directors on September 28, 2018, then 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, 2022, the amount of guaranteed securities issued by AFL and corresponding to debt issues and financial transactions with counterparties, amounted to €8.3 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 very cautious 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.

**With regard to access to liquidity, it should be noted that AFL has a line of credit with the Banque de France, available at any time, through the mobilization of receivables from local authorities that AFL carries on its statement of financial position, via the TRiCP (*Traitement Informatique des Créances Privées* - Data Processing of Private Claims) system and corresponding to an amount of nearly 70% of its outstanding loans.**

### 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 2022 and significant events

### 2.1 Evolution of the situation in the face of the health crisis

#### Economic and market situation

After a year in 2021 characterized by a strong recovery in economic activity, the first half of 2022, which began with the invasion of Ukraine by Russia on February 24, was marked by rising uncertainties. This far-reaching event significantly modified the economic and financial environment in Europe and around the world, notably by impacting balances on commodity markets, leading to a strong resurgence of inflation, and resulting in a rapid decline in activity, with as a corollary, a new solicitation of public spending to absorb the effects of the new crisis.

The European Commission's summer 2022 economic forecast highlights a further deterioration compared to the spring forecasts. According to the latest Commission forecasts, the European Union economy will grow by 2.7% in 2022 and by 1.5% in 2023, which corresponds to a downward revision of nearly 1.5 percentage points for 2022 and nearly 1 point for 2023, compared to the economic projections of December 2021, due to the repercussions of the crisis in Ukraine on energy prices, the confidence of economic players and commercial trade. With regard to the euro zone, the growth rate is expected to be 2.6% in 2022, then should decline to 1.4% in 2023. Average annual inflation is expected to peak at historically high levels in 2022, reaching 7.6% in the eurozone and 8.3% in the EU, before falling back to 4.0% and 4.6% respectively in 2023.

This situation should weigh on government deficits and debt, which on April 22, 2022 were still estimated by Eurostat at 5.1% of GDP in the euro zone and 4.7% in the EU for deficits, and 95.6% and 88.1% respectively for public debt.

#### Financial position of local authorities

Before the onset of the Covid-19 pandemic, the financial position of local authorities was healthy and had significantly strengthened: the debt reduction capacity had improved from 5.5 years in 2015 to 4.6 years at the end of 2019, the gross savings rate had increased from 15.5% to 17.9% of operating revenue, the net savings rate from 7.8% to 10.4% and the debt ratio had decreased from 85.7% to 82.2%. Alongside the improvement in their financial position, local authorities were able to increase their capital expenditure, from €42.8 billion in 2015 to €53.8 billion in 2019, while improving their debt reduction capacity. This growth in local public investment was mainly driven by the municipal block while it was stable for the departments and regions.

Nevertheless, the improvement in the general financial position of local authorities hid major disparities between and within each segment.

The health crisis in the spring of 2020 raised fears of a sharp and sudden contraction in local authorities' tax and tariff revenues. Since then, the Cazeneuve mission has been documenting and simulating the budgetary consequences of this crisis. In its update of February 22, 2022, the Cazeneuve barometer indicates that the "stronger than expected recovery observed in 2021 takes the finances of local authorities above their pre-crisis level, with some exceptions".

At December 31, 2021, all financial indicators were improving:

- Positive momentum in actual consolidated operating revenues (RRF) in 2021 with a more limited increase in actual operating expenses (DRF);
- Remarkable increase in savings capacity in 2021 to €36.6 billion, up €6 billion compared to 2020, and higher than in 2019 (€34.6 billion);
- Strong recovery in actual capital expenditure (DRI) in 2021 to €71.7 billion in 2021 versus €69.2 billion in 2020 and €72.4 billion in 2019;
- Continued growth in local debt but a significant improvement in deleveraging capacity at 4.3 years versus 5 years in 2020;
- The cash position of local and regional authorities has been rising steadily for 10 years. Between 2017 and 2021, it increased from €41.5 billion to €56.6 billion, i.e. an increase of 36.4%.

In addition to the good management of local authorities, this resilience is also the result of significant support from the State.

### 2.2 Loan production

AFL's medium- and long-term loan production in the first half of 2022 amounted to €215 million compared to €289 million in the first half of 2021, for a total of 77 loan agreements compared to 103 in the first half of 2021. This decrease is explained by the constraint exercised in the first half of 2022 by the setting of the usury rate for loans to local authorities, at a level that makes it very difficult for the AFL - and banks in general - to grant fixed-rate loans in a context of rising interest rates. This also explains why, during the period, part of AFL's loan production was carried out at variable rates. The adjustments in the process of setting the usury rate at the beginning of the third quarter 2022 made it possible to relax this constraint, and to return to a much higher production rate, in line with the continued arrival of a steady flow of new member local authorities within AFL Group.
The average maturity of loan production in the first half of the year was 19 years compared to 20 years in the first half of 2021. In addition to medium- and long-term loans, €107 million in lines of credits were produced, compared with €37 million in the first half of 2021.

At the end of the financial year, outstanding customer loans, expressed in accordance with French accounting standards, amounted to €4,708 million in loans made available and €397 million in financing commitments, i.e. total commitments of €5,105 million, which also includes lines of credits.

### 2.3 Membership

- *Continuous development*

The AFL Group had 521 members at the end of the half-year ended June 30, 2022.

25 new local authorities joined the AFL Group during the past half-year, including the Nouvelle Aquitaine Region. At the date of this report, 521 local authorities are shareholders, including 6 regions, 11 departments, 392 municipalities and 112 groupings, including 14 cities, 6 territorial public entities, 5 urban communities, 25 suburban communities, 42 municipality communities and 15 trade unions.

Memberships completed during the first half of 2022 increased the level of pledged capital[2] by €19.5 million bringing the total to €262.2 million. At June 30, 2022, the share capital of AFL-ST rose to €212,963,800 and the share capital of AFL rose to €203,000,000.

The table below shows the breakdown of AFL-ST's share capital and voting rights by category of local authority as of June 30, 2022 after the 32nd capital increase.

| *Figures in € thousands* | Number | Committed capital | Paid-up capital | Voting powers |
|---|---|---|---|---|
| Region | 6 | 68,187 | 28,534 | 13.40% |
| Department | 11 | 34,305 | 34,305 | 16.11% |
| Municipality | 392 | 55,449 | 51,818 | 24.33% |
| EPCI (groupings of municipalities) | 112 | 104,281 | 98,307 | 46.16% |
| *Metropolis* | *14* | *73,103* | *69,615* | *32.69%* |
| *Territorial public entities* | *6* | *6,077* | *5,112* | *2.40%* |
| *Urban communities* | *5* | *3,546* | *3,520* | *1.65%* |
| *Suburban communities* | *26* | *8,757* | *7,739* | *3.63%* |
| *Municipality communities* | *44* | *1,753* | *1,636* | *0.77%* |
| *Other groupings* | *17* | *11,045* | *10,685* | *5.02%* |
| TOTAL | 521 | 262,223 | 212,964 | 1 |

Details of AFL's share capital and shareholding structure are provided in Part VII of the document below.

## 2.4 AFL's activities on the capital markets

### 2.4.1 The Company's borrowing program

The Supervisory Board meeting of December 13, 2021 authorized the Company to continue, for the 2022 financial year, to implement its borrowing program through new bond issues, within a maximum volume of medium and long-term issues under the EMTN program amounting to €1.5 billion (compared to €1.8 billion for the financial year 2020) of which €300 million related to the possible pre-financing of the borrowing program for 2023.

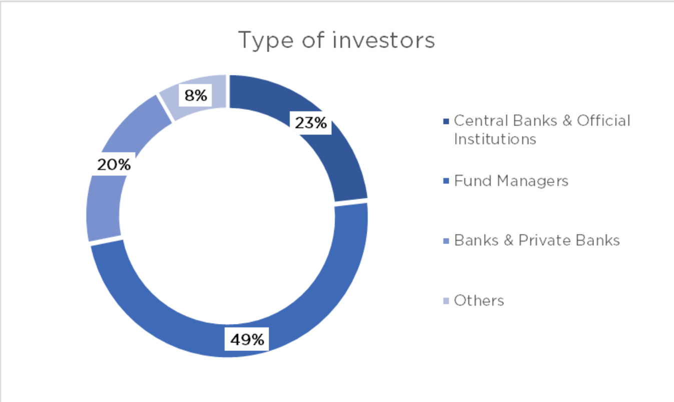
The maximum amount of the EMTN program (maximum amount outstanding) was itself raised from €8 to 10 billion.

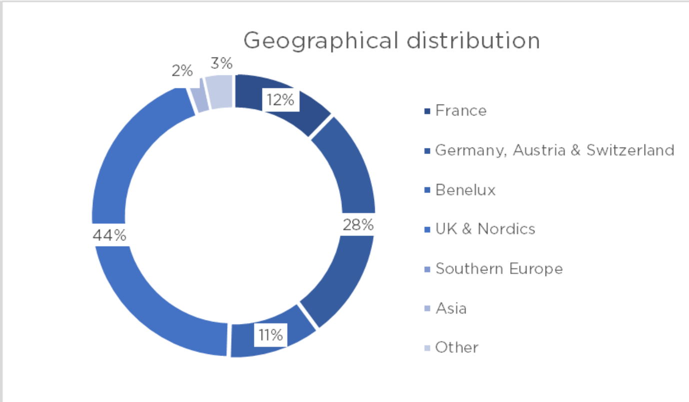
### 2.4.2 Bond issues as part of the EMTN program

AFL has a bond issue program, called the EMTN program, under which it carries out its bond issues. On January 13, 2022, AFL carried out a new benchmark issue in the amount of €500 million maturing on March 20, 2029 in the form of sustainable bonds. This eighth benchmark issue since the creation of the AFL met with unprecedented success with demand for more than €2.2 billion from 75 investors. The placement of the securities was carried out with a margin of 25 basis points against the French government bond curve (OAT).

The geographical distribution of this issue by type of investor is shown in the charts below.

[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.




AFL's debt placement remains characterized by the presence of a large majority of international investors. During the first half of the year, AFL also carried out, for the first time, a syndicated issue in a currency other than the Euro, as 250 million pounds sterling-denominated bonds were placed with a new base of investors at a margin of 47 basis points above UK government bonds, which is a very good performance.

With an additional three private placements, a total of €890 million in resources were raised by AFL during the first half of the year, at an average margin of 25 basis points above the OAT curve. and a weighted average life of 7.1 years, thus achieving 75% of its needs for 2022.

#### *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, €500 million was authorized for the issuance of debt securities under the ECP program for the 2022 financial year (the same as for the previous financial year).

As part of its short-term securities issuance program, AFL issued several ECPs in euros and in foreign currencies during the period in order to optimize its cash management.

These issues were carried out under favorable conditions at a rate lower than the ECB deposit rate.

The average ECP outstandings in the first half of 2022 amounted to €240 million.

## 2.5 Governance

### *2.5.1 AFL Supervisory Board*

At June 30, 2022, the composition of the AFL Supervisory Board was as follows:

| | Independence | Specialized committees | | |
|---|---|---|---|---|
| | | Audit & Risk Committee | Appointments, Remuneration and Corporate Governance Committe | Strategic Committee |
| Mr. Sacha Briand<br>Chairman of the Board | | | | |
| Ms. Pia Imbs<br>Vice-Chairwoman of the Board | | | | |
| Mr. Lars Andersson | ▲ | | | ■ |
| Ms. Victoire Aubry | ▲ | ◊ | | |
| Mr. François Drouin | ▲ | ■ | | |
| Mr. Nicolas Fourt | ▲ | | | ◊ |
| Ms. Delphine Cervelle | | | | ◊ |
| Mr. Olivier Landel | | ◊ | ◊ | ◊ |
| Mr. Rollon Mouchel-Blaisot | | | ◊ | |
| Ms. Sophie L'Hélias | ▲ | | ■ | |

■ 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 appendix to the half-year financial statements.

AFL has decided to voluntarily prepare financial statements according to IFRS for the period ending on June 30, 2022, which are commented on in this report

### 3.1 Individual AFL financial statements according to French GAAP

The first half of 2022 saw a further increase in the net interest margin to €7,636 thousand compared to €6,312 thousand at June 30, 2021. This increase is directly attributable to the increase in outstanding loans, which is in line with AFL's development trajectory. Commitment and non-use fees on lines of credits amounting to €94 thousand (compared to €87 thousand in the first half of 2021) and capital gains on the sale of short-term investment securities of €1,006 thousand, after taking into account the hedging relationship disposal gain (compared to €608 thousand in the first half of 2021) are in addition to interest income. Lastly, in accordance with the principle of prudence which governs the reference system of French accounting standards, depreciations[3] on investment securities were made during the first half of 2022 in the amount of €1,628 thousand. However, these provisions are not proven counterparty risk indicators but correspond to the materialization of the rise in long-term interest rates, with the corresponding widening of credit margins.

This resulted in net banking income of €7,038 thousand at June 30, 2022, compared to €7,585 thousand at June 30, 2021.

Due to the negative interest rates that prevailed throughout the first half of 2022 and in particular the three-month Euribor against which most of AFL's exposures are swapped, the structure of the net interest margin breaks down as follows:

- Revenues from debt in the first half of 2022 amounted to €10,542 thousand, after taking into account interest on hedges, compared to €8,785 thousand in the first half of 2021. This increase is due to an increase in outstanding debts and, above all, to a continued decline in the 3-month Euribor during the first quarter.
- Revenue from the loan portfolio is stable at €2,289 thousand once restated for hedging, compared to €2,001 thousand in the first half of 2021. However, this stabilization is only apparent as outstanding loans continue to increase by a positive margin above the cost of debt. This stabilization of loan portfolio revenue should be compared to the strong increase in revenue from debt on the statement of financial position.
- Lastly, income related to the management of the liquidity reserve and margin calls on forward financial instruments, in a negative interest rate environment, constitutes an interest expense of -€5,195 thousand, once restated for their hedges, compared to -€4,463 thousand at June 30, 2021. This deterioration is due to the increase in the amount of the liquidity reserve and above all in the continued reduction of the 3-month Euribor rate into negative territory during the first quarter.

During the period, the liquidity reserve portfolio management generated net capital gains on disposals of €1,006 thousand, compared to €608 thousand in the first half of 2021.

The increase in provisions for short-term investment securities to -€1,628 thousand at June 30, 2022, compared to -€724 thousand at June 30, 2021, is due to the rise in medium- and long-term interest rates, with a corresponding widening of credit margins. While the rise in interest

[3] At the end of the reporting period, in application of the principle of prudence, placement 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.

rates leads to unrealized losses on short-term investment securities, they are largely offset by unrealized gains on hedging swaps. The widening of credit margins, which reflects an increase in credit risk across the entire portfolio, is not due to the materialization of credit events but to the deterioration of market conditions during the period, due to the changes in the international situation.

As of June 30, 2022, general operating expenses, after subtracting re-invoicing and transfers of administrative expenses, represented €6,676 thousand compared to €5,801 thousand as of June 30, 2021. They account for €2,821 thousand in employee benefits expense compared to €2,761 thousand for the first half of the previous financial year and €3,855 thousand for administrative expenses after transfers and re-invoicing to Société Territoriale compared to €3,040 thousand for the first half of 2021. This increase of €815 thousand in administrative expenses actually masks a virtual stability of expenses for external services and a sharp increase in taxes, including contributions to banking regulatory bodies, which amounted to €523 thousand for the first half-year 2021, and amounted to €1,132 thousand in the first half of 2022 due to a doubling of the 2022 contribution to the Single resolution fund to €1,094 thousand compared to €481 thousand in 2021.

Re-invoicing to Société Territoriale and transfers of administrative expenses were stable at €1,039 thousand in the first half of 2022, compared to €1,009 thousand in the first half of 2021. The latter mainly consist of the rating fees of the debt issues over the period.

Income at June 30, 2022 takes into account depreciation and amortization expenses which amounted to €511 thousand at June 30, 2022 compared to €366 thousand at June 30, 2021. This increase underlines the continuity of AFL's investments in its IT systems.

After depreciation and amortization, gross operating income at June 30, 2022 stood at €150 thousand, compared to €1,418 thousand for the first half of 2021. AFL's net income at June 30, 2022 showed a net loss of -€150 thousand compared to a net profit of €1,427 thousand at June 30, 2021. The loss recorded in the first half of 2022 under the French accounting framework is mainly due to provisions for social impairments on securities in the investment portfolio, despite the increase in income from banking activities and operating expenses, which remained stable, with the exception of the mandatory bank contributions already indicated.

Transition from French GAAP to IFRS

| Transition from French GAAP to IFRS (In thousands of euros) | 30/06/2022 |
|---|---|
| **Net profit - French GAAP** | **-150** |
| ***IFRS restatements*** | |
| Cancellation of provisions for unrealized losses on investment securities | 1628 |
| Ineffective hedging of financial instruments | -391 |
| IFRS 9 restatements (JV securities through OCI, loans and bank accounts) | 867 |
| Deferred tax adjustments | -589 |
| Other adjustments | 33 |
| **Net profit under IFRS** | **1,397** |

## 3.2 AFL financial statements according to IFRS

The first half of 2022 saw a further increase in the net interest margin to €7,655 thousand compared to €6,357 thousand at June 30, 2021. This increase is directly attributable to the increase in outstanding loans, which is in line with the Company's development trajectory. Commitment and non-use fees on lines of credit amounting to €94 thousand (compared to €87 thousand in the first half of 2021), and capital gains on the sale of short-term investment securities of €1,006 thousand, after taking into account the hedging relationship disposal gain (compared to €608 thousand in the first half of 2021) are in addition to interest income. Lastly, hedge accounting revenues amounted to €876 thousand.

This resulted in net banking income of €9,558 thousand at June 30, 2022, compared to €8,406 thousand at June 30, 2021.

Due to the negative interest rates that prevailed throughout the first half of 2022 and in particular the three-month Euribor against which most of AFL's exposures are swapped, the structure of the net margin interest breaks down as follows:

- Revenues from debt in the first half of 2022 amounted to €10,539 thousand, after taking into account interest on hedges, compared to €8,783 thousand in the first half of 2021. This increase is due to an increase in outstanding debts, and above all to a continued decline in the 3-month Euribor during the first quarter.
- Revenue from the loan portfolio is stable at €2,289 thousand once restated for hedging, compared to €2,001 thousand in the first half of 2021. However, this stabilization is only apparent as outstanding loans continue to increase by a positive margin above the cost of debt. This stabilization of loan portfolio revenue should be compared to the strong increase in revenue from debt on the statement of financial position.
- Lastly, income related to the management of the liquidity reserve and margin calls on forward financial instruments constitutes an interest expense of -€5,172 thousand, once restated for their hedges, compared to -€4,413 thousand at June 30, 2021. This deterioration is due to the increase in the amount of the liquidity reserve and, above all, the continued reduction of the three-month Euribor rate into negative territory during the first quarter.

During the period, the liquidity reserve portfolio management generated €1,006 thousand in positive income on the sale of securities at fair value through other comprehensive income, compared to €608 thousand during the first half of 2021.

The net income from hedge accounting amounts to €3,153 thousand. 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 €2,276 thousand, and on the other hand, the sum of the differences in the fair value of the hedged items and their hedging instruments for €876 thousand. Among these differences, -€310 thousand relate to the valuation differences on instruments classified as macro-hedges and €1,180 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, a latent income.

As of June 30, 2022, general operating expenses represented €6,601 thousand compared to €5,724 thousand as of June 30, 2021. They account for €2,802 thousand in employee benefits expense compared to €2,761 thousand for the first semester of the previous financial year. General operating expenses also include administrative expenses, which amount to €3,798 thousand after re-invoicing to Société Territoriale compared to €2,962 thousand as of June 30, 2021. This increase of €836 thousand in general operating expenses actually masks a virtual stability in expenses for external services and a sharp increase in taxes, including contributions to banking regulatory bodies, which amounted to €523 thousand for the first half-year 2021 and amounted to €1,132 thousand in the first half of 2022, due to a doubling of the 2022 contribution to the Single resolution fund to €1,094 thousand compared to €481 thousand in 2021.

Income at June 30, 2022 takes into account the depreciation and impairment of intangible assets and property, plant and equipment, which amounted to €579 thousand at June 30, 2022 compared to €443 thousand at June 30, 2021. This increase underlines the continuity of AFL's investments in its IT systems.

After depreciation and amortization, gross operating income at June 30, 2022 stood at €2,378 thousand, compared to €2,239 thousand for the first half of 2021.

The cost of risk relating to *ex ante* depreciations for expected credit losses (ECL) on financial assets under IFRS 9 represents a charge of €391 thousand over the first half of 2022 compared to €273 thousand in the first half of 2021. This increase in the cost of risk comes for €136 thousand from the increase in outstandings, and for €255 thousand from the modification of the assumptions used for the construction of the macroeconomic scenarios by asset class in order to take into account a context of deterioration in the macroeconomic environment following the conflict between Russia and Ukraine. The stock of impairments stood at €1,263 thousand as of June 30, 2022.

After deducting the cost of risk resulting from the application of IFRS 9, operating income stands at €1,987 thousand at June 30, 2022, compared to €1,967 thousand at June 30, 2021.

Lastly, the tax expenses for 2022, which amounted to €589 thousand, are solely deferred tax expenses. They are the result of consolidation restatements over the period, mainly with:

- €406 thousand in deferred tax expenses on the cancelation of provisions for social depreciation of shares in the liquidity reserve ; and
- €218 thousand in deferred tax expenses on the ineffective portion of hedging derivatives.

However, this expense is unrelated to the deferred tax assets recognized on tax losses carried forward, which remain unchanged at June 30, 2022 at €4,944 thousand.

After taking into account deferred tax expenses, net income amounted to €1,397 thousand compared to €1,770 thousand at June 30, 2021.

### 3.3 Assets as at June 30, 2022 (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, 2022, 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, 2022, the percentage of liquidity in relation to the total statement of financial position amounted to 30%, compared to 33% at December 31, 2021.

Excerpts of main assets (IFRS)

| In thousands of euros | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Loans and customer transactions | 4,166,899 | 4,435,207 | 3,945,227 |
| Securities at fair value through other comprehensive income | 876,968 | 721,146 | 788,406 |
| Securities held at amortized cost | 258,678 | 205,979 | 189,077 |
| Loans and receivables due from credit institutions | 250,273 | 217,554 | 165,836 |
| Margin calls | 89,930 | 50,195 | 54,296 |
| Cash and central banks | 748,956 | 1,175,917 | 1,134,267 |
| Hedging derivative instruments | 655,689 | 172,891 | 166,550 |

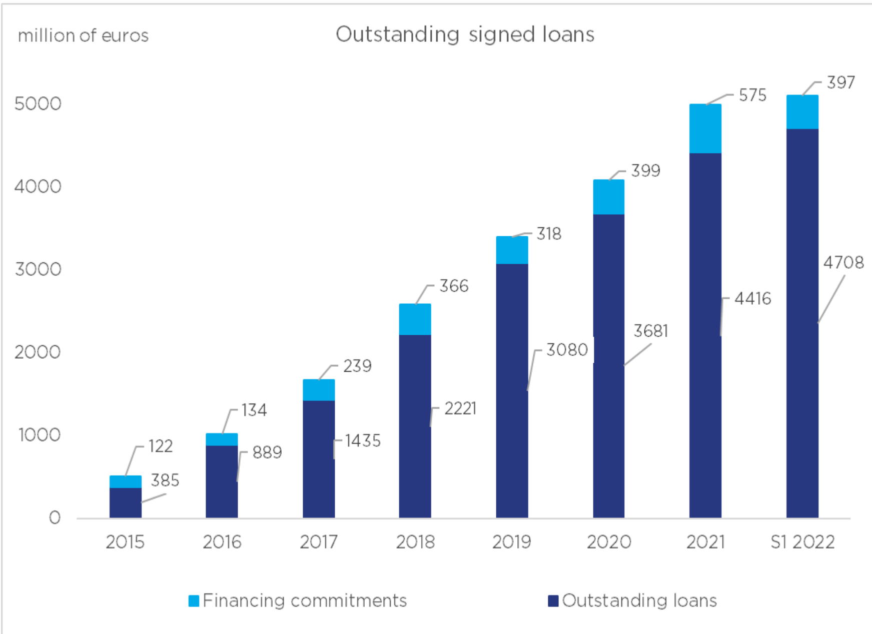
#### 1. Loans to local authorities

AFL exclusively lends to French local authorities that are shareholders of Société Territoriale. As at June 30, 2022, the loan portfolio recognized among assets on AFL's statement of financial position represents an outstanding amount of €4,239 million compared to €4,431 million at

December 31, 2021 after taking into account the impact from changes in interest rates (change in the fair value of the hedged rate component) due to hedge accounting. The interest rate revaluation of the loan portfolio resulted in a decrease in outstanding amounts due to the increase in medium- and long-term rates at the end of the period. This apparent decrease masks an increase in nominal outstanding. This portfolio must be supplemented by loans signed but not disbursed and which appear off-balance sheet, in order to have an overall view of AFL's outstanding loans. At June 30, 2022, off-balance sheet financing commitments amounted to €397 million compared to €575 million at December 31, 2021. As a result, all credit commitments to local authorities carried by AFL amounted to €4,636 million at June 30, 2022, compared with €5,006 million at December 31, 2021.

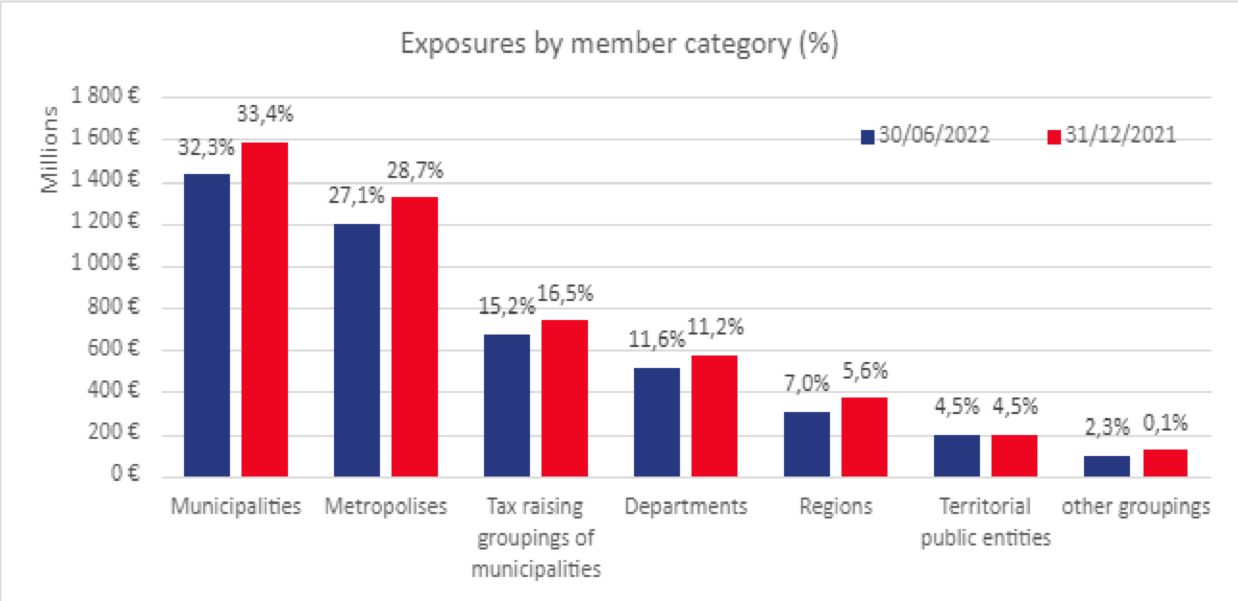
The change in the average outstanding principal of the medium- and long-term loan portfolio is shown in the graph below.

**Change in outstanding loans (in millions of euros)**




As at June 30, 2022, 76.9% of the loan portfolio consisted of exposures to the entire municipal block, compared with 76.1% at December 31, 2021. Exposure to departments increased from 11.2% at December 31, 2021 to 11.6% at June 30, 2022, and exposure to regions went from 5.6% at December 31, 2021 to 7% at June 30, 2022. Lastly, that on Territorial public entities was stable at 4.5% as of June 30, 2022 and the mixed unions which joined as members of the AFL Group in 2020 represented 2.3% as of June 30, 2022 compared to 0.1% compared to December 31, 2021.

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 15.3 years at June 30, 2022.

## 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, 2022, the assets comprising the liquidity reserve amounted to €2,135 million, compared to €2,321 million at December 31, 2021, an amount corresponding to almost 12 months of cash flow requirements. The repayment on March 20, 2022 of the first bond issue made by AFL at the start of its activities, in the amount of €750 million, was offset by several fundraising transactions on the markets at the beginning of the period, thus making it possible to stabilize the size of its cash position.

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 €999 million; and
- A segment consisting mainly but not exclusively of HQLA[4]-accredited securities, due to their high rating and high degree of liquidity of €1,136 million.

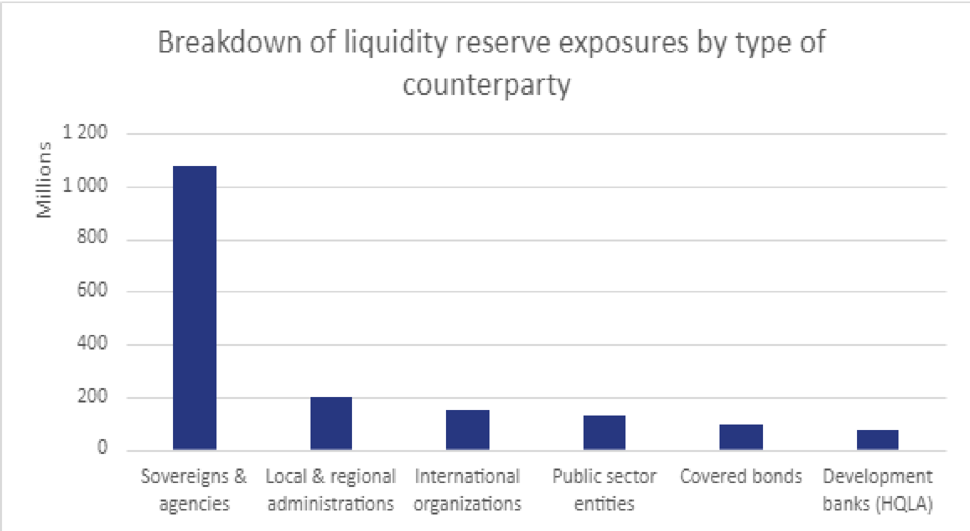
Due to the investments carried out as part of the liquidity reserve, AFL supports a credit risk on the issuers of assets that it acquires or exposures that it takes. However, this credit risk is limited in view of the quality of the counterparties, which all enjoy the best rating levels from the major rating agencies. At June 30, 2022, 81.4% of the liquidity reserve was comprised of

[4] High Quality Liquid Assets.

so-called "HQLA" assets mainly 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 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 securized 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, 2022.

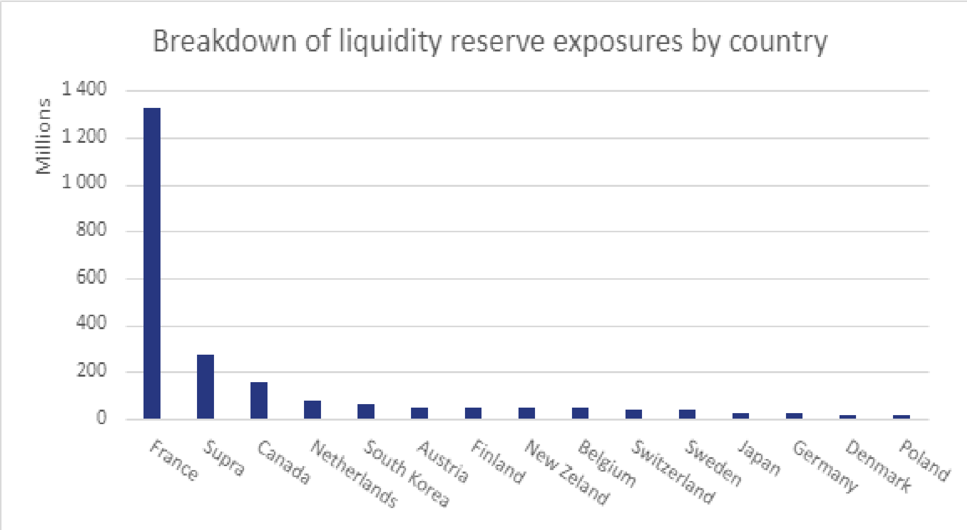
### Breakdown of liquidity reserve exposures by type of counterparty[5]




As shown in the graph below, the assets making up the liquidity reserve relate mainly to French issuers but also European and international issuers to a more limited extent. However, the share of France includes deposits with the Banque de France and nostro accounts, which increases the weight of France in the geographical distribution of the liquidity reserve.

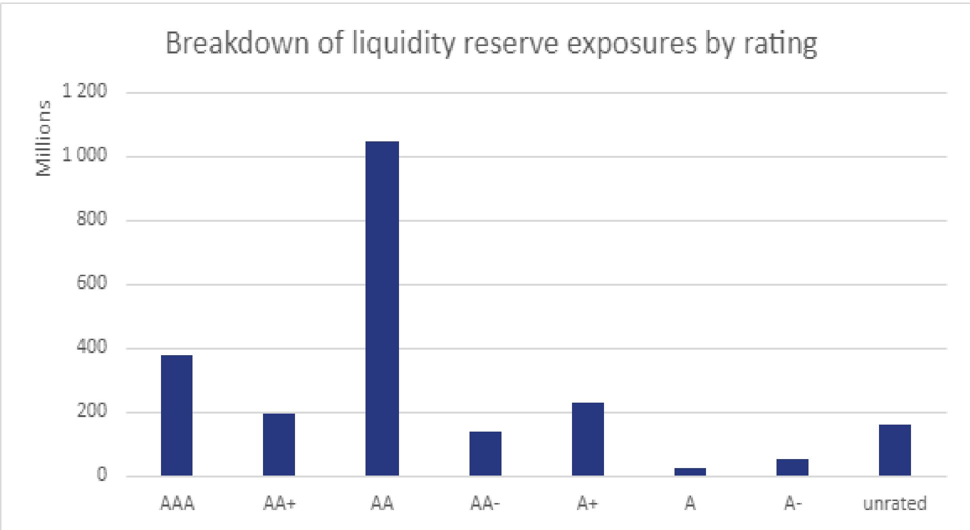
[5] Development banks or public development credit institutions (defined by the European Commission's Delegated Act on the LCR liquidity coverage ratio of October 10, 2014) are categories of financial institutions eligible for the HQLA rules in view of their particular characteristics.

Breakdown of liquidity reserve exposures by country at June 30, 2022




The rating of all the exposures that AFL carries in its liquidity reserve remains very high, with 79% rated AA- and above.

Breakdown of liquidity reserve exposures by rating




### 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 €89.9 million at June 30, 2022, compared with €50.2 million at December 31, 2021. They mainly correspond to foreign exchange swaps carried out by AFL to hedge its currency exposures, and are explained by the depreciation of the euro against the hedged currencies. This amount must be increased by the guarantee deposits (IMR) covered by securities with the clearing house for €53.2 million at June 30, 2022. However, due to the increase in medium- and long-term interest rates at the end of the period, and due to the fixed-rate paying position of AFL's statement of financial position, the amount of margin calls received by AFL rose sharply, reaching €64 million at June

30, 2022, compared with €5.4 million at December 31, 2021. These margin calls mainly correspond to interest rate swaps cleared with the LCH clearing house.

At June 30, 2022, the fair value of AFL's hedging swaps broke down as follows:

| | 30/06/2022 | |
|---|---|---|
| In thousands of euros | nominal value | market value |
| Interest rate swaps | 12,308,381 | 63,373 |
| Currency swaps | 1,202,767 | -83,041 |
| Total | 13,511,147 | -19,669 |

4. **Securitization**

AFL has no exposure to securitization.

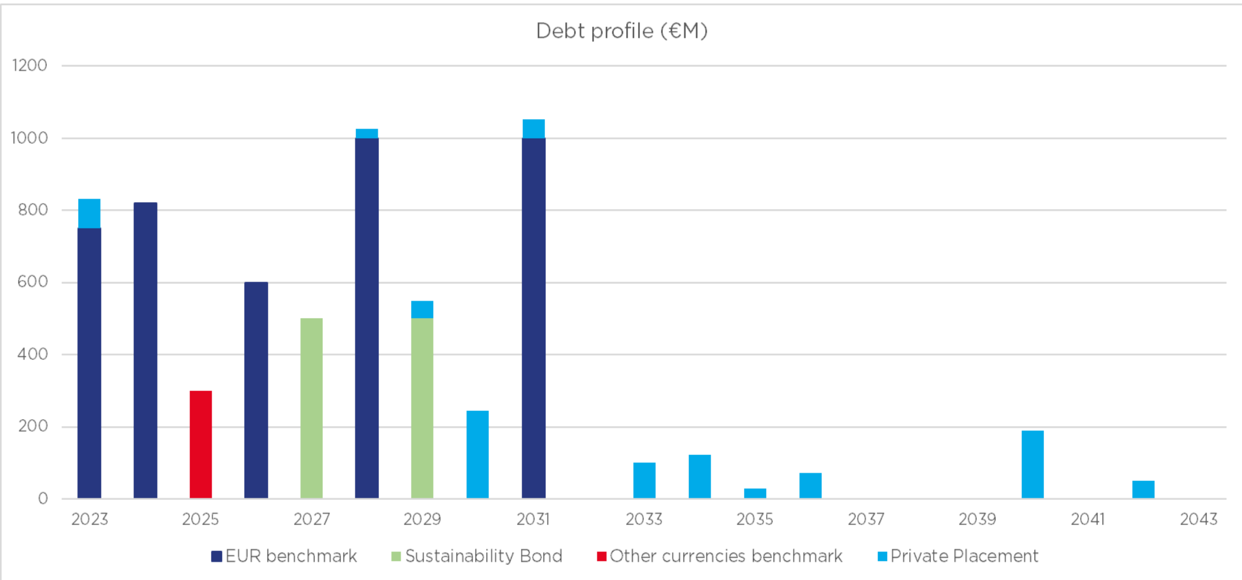
### 3.4 Debts and capital as at June 30, 2022 (IFRS)

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.

At June 30, 2022, the outstanding medium- and long-term debt had an average maturity of 5.6 years.

In addition to these medium- and long-term debt instruments, short-term debt securities denominated in euros and US dollars were outstanding for a total of €240 million at June 30, 2022.

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




As at June 30, 2022, the net carrying amount of the debt portfolio stood at €6,111 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, 2021 was €6,572 million. In addition to the repayment in March 2022 of the first issue for an amount of €750 million which had been launched in 2015 by AFL, the decrease in the outstanding debt results exclusively from the revaluation in the interest rate of the debt, whereas it increased in nominal value over the period.

After the 32nd capital increase carried out after 25 new local authorities became AFL-ST members during the first half of 2022, the amount of AFL subscribed capital totaled €203,000,000 at June 30, 2022 compared to €196,800,000 at December 31, 2021. After taking into account retained earnings, equity capital amounted to €184.4 million at June 30, 2022 compared with €180.4 million at December 31, 2021.

Excerpts of the main liabilities

| In thousands of euros | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Debt securities issued | 6,111,221 | 6,571,730 |
| Equity | 184,407 | 180,352 |

## 5. 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 are listed first. The exposure figures presented provide information on AFL's degree of exposure but are not necessarily representative of future risk trends.

### 1. Strategic risk

*A. The economic, financial, political and health context of the markets in which AFL conducts its activities or its financing may have a significant impact on its financial position of and its net income.*

AFL, which is a specialized credit institution exclusively financing French local authorities, could be strongly affected by a significant deterioration in the global economic, financial, political or geostrategic environment and that of the countries and markets in which it carries out its activities, in which it refinances itself or in which it invests its cash. Local authorities have absorbed the effects of the health crisis; the data communicated in February 2022 by the DGFiP (Ministry of Finance) indicate a remarkable increase in savings capacity to €36.6 billion, up €6 billion compared to 2020, a strong recovery in Real Investment Spending in 2021 to €71.7 billion in 2021 versus €69.2 billion in 2020, and continued growth in local debt but a significant improvement in deleveraging capacity at 4.3 years versus 5 years in 2020. In addition, the cash position of local authorities rose to €56.6 billion. This generally positive situation hides disparities: small authorities were generally less affected by the health crisis than medium-sized and large authorities.

Since February 2022, Russia has been at war with Ukraine. This war has significant impacts for the World, and Europe in particular.

Invested mainly in sovereign debt securities, supranational entities or state or supranational agencies benefiting from a high credit quality, AFL's liquidity portfolio, which is otherwise diversified, does not include any exposure to Russian or Ukrainian issuers and has exposure of less than €100 million to issuers in countries neighboring Russia or Ukraine. AFL's liquidity situation is also satisfactory: the liquidity reserve amounts to more than €2.1 billion, of which €1 billion in deposits only at June 30, 2022, thus enabling it to cover close to 12 months of activity without any call to the market.

Due to the weight of Ukraine and Russia in the raw materials sector, there was a sharp increase in the price of raw materials (energy and cereals in particular) over the period, which, coupled with the restarting of supply chains post-Covid generated a return of high inflation. As a result, the European Central Bank increased its key rates and initiated a normalization of the unconventional monetary policy measures in place. This context generated a general increase of yield curves. At the same time, a certain number of measures have been put in place by governments - including France - to protect economic players, and in particular consumers, from the immediate effects of price increases. This has an impact on public finances already impacted by the Covid crisis.

The impacts in terms of risks for AFL are of various kinds:

Inflation has the effect of increasing the operating expenses of States, economic players and local authorities, which could weigh on their financial position, as well as on those of AFL and thus reduce its profitability.

AFL is not directly affected by interest rate movements, given its statement of financial position variability strategy against the 3-month Euribor or €STR. However, an increase in rates could have impacts on its loan production or on its results due to indirect effects.

Although, in the event of negative real rates, inflation has the mechanical effect of reducing the real weight of debt stocks, inflation added to the budgetary consequences of government measures to manage the crisis weigh on the budgetary balances of the States, in particular for those with little budgetary room for maneuver. As a result, there has been a tightening of the best-rated sovereign spreads, resulting from a trend towards quality, alongside a tightening on the most fragile sovereign spreads. These tensions could continue, increasing the amount of unrealized losses in the portfolio and weighing on AFL's prudential capital. This situation may also generate an increase in the cost of resources for AFL, whose resources depend exclusively on the financial markets.

- Due to its significant level of debt, a weakening of France's rating cannot be ruled out, which could also lead to a weakening of the AFL rating.
- The gradual cessation of central bank asset buyback programs, in particular that of the European Central Bank, is generating a change in demand from institutional investors on the capital markets in the context of future debt issues and could weigh on the spread of sovereign issuers and indirectly on that of the AFL.

- AFL, whose activity of granting medium-long-term loans to local authorities depends on its ability to finance itself on the capital markets, could be severely affected in the event of a deterioration in its financing conditions, which would lead to an increase in the cost of medium-long-term loans granted to Members, thus significantly affecting its business, its financial condition and the results of its activity and deteriorating its competitive position.

The evolution of the situation is currently difficult to predict; this uncertainty contributes to weighing on market aggregates.

For the first half of 2022, for AFL, taking into account the deterioration of the environment, the cost of risk amounted to €391 thousand, up compared to the first half of 2021, for a stock of provisions of €1,263 thousand on total outstandings and corresponds to 1.9 basis points of exposures. Given the strong uncertainties related to the war in Ukraine, the Issuer's cost of risk - while remaining limited due to the quality of the Issuer's exposures - could increase in 2022 as it is calculated on the basis of a model incorporating forecasts on the macroeconomic outlook.

The financial position of local authorities could deteriorate in the future. Although an increase in revenue related to indexed taxation can be expected, local authorities are experiencing an increase in expenses - in particular energy costs and payroll - related to inflation. They will also be invited to participate in the effort to restore public accounts for an anticipated amount of €10 billion in a form to be specified in the context of the future public finance programming law. After two years of strong use of borrowing in 2020 and 2021, the uncertainties related to the situation could finally weigh on the investments of local authorities and therefore on their recourse to borrowing.

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.

*B. 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, resulting in particular from players such as the LBP-SFIL-CAFFIL group, CDC, BEI, BPCE 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 2021, AFL accounted for a market share estimated at nearly 40% of its members' financing needs.

Development could be affected by the reluctance of local authorities to become members of Agence France Locale, 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.

### *C. 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) on January 12, 2015 as a specialized credit institution. This approval is essential for AFL to carry out its activities, subjecting it to a certain number of regulatory requirements, including the obligation to comply with specific legal 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 resolution powers granted to the authorities by the RRD and the SRM are divided into three categories: (i) powers to take preparatory measures and plans to reduce the risk of potential problems arising; (ii) if problems arise in an institution, powers to stop the deterioration of the situation, so as to avoid insolvency; and (iii) if the insolvency of an institution is a matter of public interest concern, powers of reorganization or orderly liquidation while preserving critical functions and limiting taxpayer exposure to losses, as far as possible.

The SRM Regulation provides for the application of several resolution instruments that can be used separately (subject to the separation of assets, which can only be implemented together with another resolution instrument) or together, if the authority resolution considered that (a) the default of AFL or Agence France Locale Group is proven or foreseeable, (b) there is no reasonable prospect that another private measure or supervisory action would prevent the default within a reasonable period of time and (c) a resolution measure is necessary in the public interest.

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

- Disposal of activities - allows resolution authorities to sell under normal conditions either the institution itself or all or part of its activity, without the consent of the shareholders and without complying with the procedural requirements that would apply in normal times;
- 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 resolution authority must apply the impairment and conversion powers first to Common Equity Tier 1 (CET1) instruments, then to Additional Tier 1 equity capital instruments, and finally to Tier 2 instruments and other subordinated receivables to the extent necessary. If, and only if, the total reduction thus made is less than the amount sought, the resolution authority will reduce the unsubordinated debt of the institution (including the principal and interest on the Notes) by the necessary proportion.

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, 2021, 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 currently applicable to French exposures is 0%. On April 7, 2022, the HCSF decided to raise the countercyclical buffer rate to 0.5%. Banks will have to comply with the new requirement from April 7, 2023.

Due in particular to its risk profile and its activity, the liquidation strategy has been selected as the resolution strategy for the 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, 2022, prudential capital stood at €188.9 million. Given the credit quality of the assets carried by the Agence France Locale Group, the solvency ratio reached 16.21% 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.

## 2. Financial risks

### A. 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, 2022, the ALT gap between AFL's assets and liabilities was 0.3 years and the NSFR ratio was 188%.

- 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.

At June 30, 2022, AFL had a liquidity reserve of €2,135 million providing it with nearly 12 months of its cash flow needs[6]. The regulatory 30-day liquidity ratio (LCR) stood at 1,313%.

- 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, 2022, on the only portfolio of financial assets at fair value through other comprehensive income with a net carrying amount of €877 million, the impact of gains and losses recognized directly in equity was +€485 thousand.

AFL has access to TRiCP (*TRaitement Informatique des Créances Privées*, or computerized processing of private sector claims) which provides a line of credit, available at any time, from the Banque de France for 70% of its outstanding medium- and 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.

### B. 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, 2022, the interest rate hedging strategy was reflected in an outstanding notional amount of swaps of €13.5 billion. The amount of margin calls received, net of the amount of margin calls paid, with respect to interest rate derivatives, stood at €64 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 fixed-rate loans granted to local authorities or (ii) certain short-term positions and (iii) the difference in indexation between certain assets - in particular AFL deposits at the Banque de France paid an overnight rate and which amounted as of June 30 to €749 million - 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.

[6] Estimated by AFL on the basis of AFL's central business plan scenario.

At June 30, 2022, the sensitivity of the net present value (NPV) of AFL's equity capital was +0.97% assuming a parallel shift of more than 100 basis points and +2.02% assuming a shift of more than 200 basis points in the yield curve.

| | 30/06/2022 | 31/12/2021 | 31/12/2020 | 31/12/2019 | 31/12/2018 | Limit |
|---|---|---|---|---|---|---|
| Parallel shock up + 100 bps | 1.00% | 2.20% | 0.40% | -3.20% | -3.80% | ±15% |
| Parallel shock down - 100 bps | -0.90% | -2.20% | -0.30% | 4.00% | 4.60% | ±15% |
| Parallel shock down - 100 bps (floor) | 0.90% | 0.10% | 0.00% | 2.00% | 2.40% | ±15% |
| Parallel shock up + 200 bps | 2.00% | 4.40% | 1.00% | -5.80% | -7.10% | ±15% |
| Parallel shock down - 200 bps | -1.60% | -4.30% | -0.30% | 8.90% | 10.00% | / |
| Parallel shock down - 200 bps (floor) | 1.80% | 0.10% | 0.00% | 2.00% | 2.60% | ±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). At June 30, 2022, NPV sensitivity to these various scenarios is shown in the table below.

| | 30/06/2022 | 31/12/2021 | 31/12/2020 | 31/12/2019 | 31/12/2018 | Limit |
|---|---|---|---|---|---|---|
| Parallel shock up + 200 bps | 2.00% | 4.40% | 1.00% | -5.80% | -5.70% | ±15% |
| Parallel shock down - 200 bps | -1.60% | -4.30% | -0.30% | 8.90% | 8.60% | ±15% |
| Short rates shock up | 3.80% | 6.10% | 3.00% | 2.40% | -8.40% | ±15% |
| Short rates shock down | -3.90% | -6.30% | -3.10% | -2.50% | 9.00% | ±15% |
| Steepener shock | -3.10% | -4.30% | -2.70% | -5.40% | -8.20% | ±15% |
| Flattener shock | 3.40% | 5.10% | 3.00% | 4.80% | 8.90% | ±15% |

During the first half of 2022, the sensitivity of AFL's net present value to various scenarios of interest rate changes remained less than 15% of equity capital.

*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, 2022, the notional outstanding amount of currency swaps stood at €1.2 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. The amount of margin calls paid, net of the amount of margin calls received, with respect to these hedging instruments, stood at €90 million at June 30, 2022.

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

*The credit risk of its borrowers*

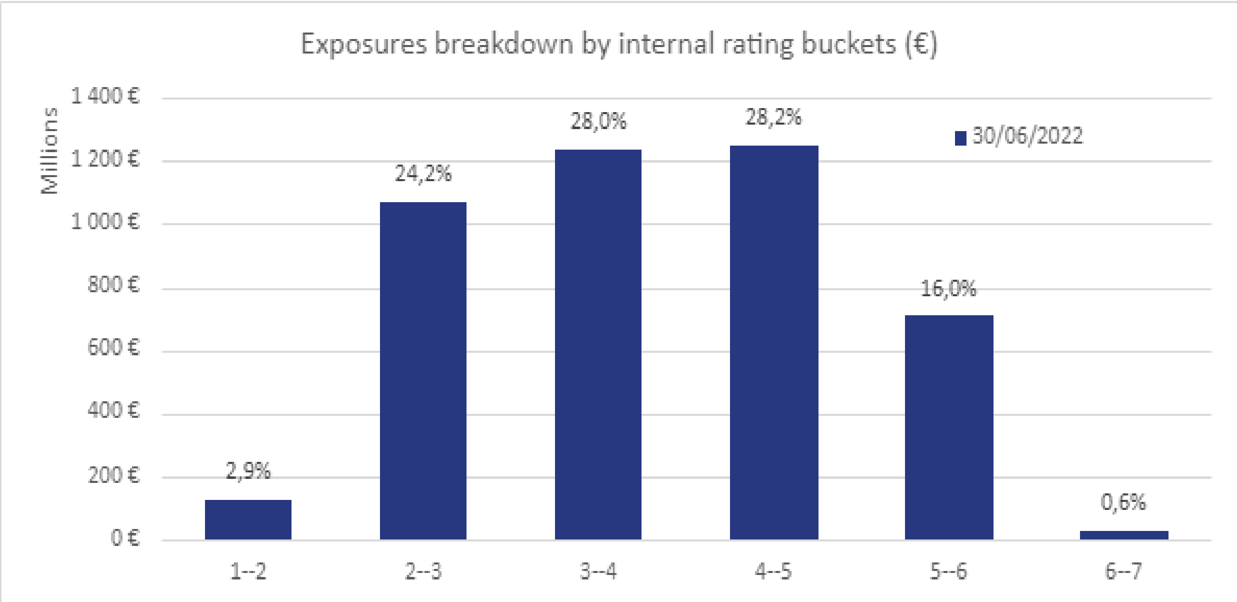
Pursuant to Article L. 1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out its activities for the exclusive benefit of the local authorities that are shareholders of AFL's parent company and guarantors of the debt securities issued by AFL up to the amount of their respective medium- to long-term loans outstanding (the member authorities). As of June 30, 2022, all credit commitments to local authorities carried by AFL amounted to €4,239 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, 2022, this portfolio was more than 30% exposed to local authorities with ratings between 1 and 2.99. The five largest exposures represent 15.7% of the portfolio. The first exposure represents 3.52% of the portfolio and the fifth 2.87%. As of June 30, 2022, the average rating of loans made by AFL to its members, weighted by outstandings, was 3.79 on a scale of one to seven, with one being the best rating and seven being the lowest. This rating has deteriorated over one year due to the integration of financial data from local authorities taking into account the 2020 impacts of the Covid-19 crisis.

The following graph shows the breakdown by rating of the loan portfolio granted by AFL to member local authorities as of June 30, 2022:




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 credit transactions carried out 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. This risk is increased in the context of a deteriorated economic and financial situation such as that linked to the war situation in Ukraine.

As of June 30, 2022, AFL's outstanding doubtful receivables amounted to €3.8 million, i.e. 0.09% of AFL's loan portfolio. This level remained stable.

| | 30.06.22 | | | | 31.12.21 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 6.538.979.566 | 99,70% | 1.234.186 | 97,33% | 7.214.062.788 | 99,68% | 852.014 | 97,74% |
| Stage 2 | 15.890.306 | 0,24% | 27.076 | 2,14% | 18.962.442 | 0,26% | 18.112 | 2,08% |
| Stage 3 | 3.767.736 | 0,06% | 1.866 | 0,15% | 3.981.080 | 0,06% | 1.562 | 0,18% |
| Total | 6.558.637.608 | 100% | 1.263.128 | 100% | 7.237.006.310 | 100% | 871.687 | 100% |

To the extent that AFL grants loans only to local authority members, 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 almost 80% of exposures rated equal to or greater than Aa2 on Moody's scale at June 30, 2022. The weighted average risk of this portfolio is 6%.

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.

### *D. 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, the AFL - whose mandate is to finance French local authorities - could be affected by the consequences of climate change.

Also, AFL has initiated work to measure the vulnerability of French local authorities to climate events and to integrate climate risks into its credit risk analysis.

## 3. Non-financial risks

*AFL is exposed to non-financial risks.*

- ***A. AFL is exposed to risks related to human resources.***

Because of its model, AFL relies on a limited number of people (39 employees, including 32 permanent contracts and 7 work-study students at June 30, 2022 and one non-employee representative) to operate. 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 €1.9 million at June 30, 2022 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 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.

- ***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, 2022. 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.

### 3.1. Prudential capital and ratios at June 30, 2022

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, 2022, prudential capital amounted to €183.9 million, compared to €179.9 million at December 31, 2021, an increase of 2.2%. This increase is due in particular to the ICC paid up during the capital increases carried out in 2022, which amounted to €6.5 million, as well as to AFL's consolidated income for 2021 capitalized on January 1, 2022 for €1.7 million. The change in capital gains and losses recognized on the OCI reserve and the cash flow hedge weighed in the amount of -€3.5 million.

The bank's risk-weighted net assets were stable over the period.

The consolidated solvency ratio was 16.21% at June 30, 2022, compared with 15.73% at December 31, 2021. 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 7.96% on a consolidated basis at June 30, 2022.

At June 30, 2022, the AFL's LCR ratio stood at 1,313% and the NSFR amounted to 188%, well above the prudential requirements.

## 4. Outlook and events since June 30, 2022

### *Financial market transactions in the second half of 2022*

Since the end of the first half of the financial year, no new loans have been taken out by AFL.

### *Loan production since June 30, 2022*

As of August 31, 2022, AFL's medium- and long-term loan production reached €599 million. This increased sharply after the publication of the new usury rate applicable at the beginning of July for the third quarter.

### *Increase in share capital*

A new capital increase was opened by the Board of Directors of AFL-ST on September 28, 2022, in order to allow the membership of new local authorities, thus bringing to 33 the number of capital increases carried out by the AFL since its creation.

### *2022 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 €164 thousand on AFL's annual operating income for 2022.

### *AFL's rating confirmed by S&P*

On August 25, 2022, the rating agency S&P reiterated the rating granted to AFL: AA-, stable outlook for the long-term rating and A-1+ for the short-term rating.

## Certification of the half-year financial report for the six-month period ended June 30, 2022

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 28, 2022,

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 2022

| *(€ '000s)* | Notes | 30/06/2022 | 31/12/2021 |
|---|---|---|---|
| Cash and central banks | 2 | 748,999 | 1,175,973 |
| Government paper and similar securities | 1 | 1,031,306 | 916,031 |
| Receivables on credit institutions | 2 | 250,118 | 217,384 |
| Loans and advances to customers | 4 | 4,708,003 | 4,416,182 |
| Bonds and other fixed income securities | 1 | 170,147 | 10,030 |
| Equities and other variable income securities | | | |
| Investments in non-consolidated companies and other long-term investments | | | |
| Investments in consolidated companies | | | |
| Intangible assets | 5 | 3,221 | 3,085 |
| Property, plant and equipment | 5 | 139 | 143 |
| Other assets | 6 | 90,298 | 50,451 |
| Accruals | 6 | 103,431 | 95,789 |
| **TOTAL ASSETS** | | **7,105,663** | **6,885,069** |

#### Liabilities as of 30th of June 2022

| *(€ '000s)* | Notes | 30/06/2022 | 31/12/2021 |
|---|---|---|---|
| Central banks | | 183 | 1,174 |
| Due to banks | 3 | 19 | 36 |
| Customer borrowings and deposits | | | |
| Debt securities | 7 | 6,722,775 | 6,578,684 |
| Other liabilities | 8 | 66,588 | 8,399 |
| Accruals | 8 | 134,388 | 121,115 |
| Provisions | 9 | 114 | 114 |
| Subordinated debt | | | |
| General banking risk fund (GBRF) | | | |
| **Equity (excluding GBRF)** | 10 | **181,597** | **175,546** |
| Share capital | | 203,000 | 196,800 |
| Additional paid-in capital | | | |
| Reserves and retained earnings | | | |
| Revaluation differences | | | |
| Regulated provisions and investment subsidies | | | |
| Retained earnings (+/-) | | (21,254) | (23,327) |
| Net income for the period (+/-) | | (150) | 2,073 |
| **TOTAL LIABILITIES** | | **7,105,663** | **6,885,069** |

## INCOME STATEMENT

| *(€ '000s)* | Notes | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|---|
| + Interest and similar income | 12 | 18,989 | 16,349 | 34,391 |
| - Interest and similar expenses | 12 | (11,353) | (10,038) | (21,732) |
| + Income from variable income securities | | | | |
| + Fee and commission income | 13 | 94 | 87 | 165 |
| - Fee and commission expenses | 13 | (75) | (240) | (324) |
| +/- Net gains (losses) on held for trading portfolio | 14 | 2,281 | (2,022) | (2,137) |
| +/- Net gains (losses) on placement portfolio | 14 | (2,898) | 1,303 | 1,665 |
| + Other banking income | 15 | | 2,146 | 2,146 |
| - Other banking expense | 15 | | | |
| **NET BANKING INCOME** | | **7,038** | **7,585** | **14,174** |
| - General operating expenses | 16 | (6,676) | (5,801) | (11,292) |
| + Other operating income | | | | |
| - Depreciation and amortization | 5 | (511) | (366) | (818) |
| **GROSS OPERATING INCOME** | | **(150)** | **1,418** | **2,065** |
| - Cost of risk | | | | |
| **OPERATING INCOME** | | **(150)** | **1,418** | **2,065** |
| +/- Net gains (losses) on fixed assets | 17 | | 8 | 7 |
| **PRE-TAX INCOME ON ORDINARY ACTIVITIES** | | **(150)** | **1,426** | **2,071** |
| +/- Net extraordinary items | | | | |
| - Income tax charge | | | **1** | 1 |
| +/- Net allocation to FGBR and regulated provisions | | | | |
| **NET INCOME** | | **(150)** | **1,427** | **2,073** |
| Basic earnings per share | | (0.07) | 0.75 | 1.05 |

## OFF-BALANCE SHEET

*(€ '000s)*

| COMMITMENTS GIVEN AND RECEIVED | Notes | 30/06/2022 | 31/12/2021 |
|---|---|---|---|
| **Commitments given** | | **449,938** | **632,002** |
| Financing commitments | | 396,749 | 574,710 |
| Guarantee commitments | | 53,189 | 57,292 |
| Commitments on securities | | | |
| | | | |
| **Commitments received** | | **2,025** | **2,090** |
| Financing commitments | | | |
| *Commitments received from credit institutions* | | | |
| Guarantee commitments | | 2,025 | 2,090 |
| Commitments on securities | | | |
| **Derivatives** | 11 | **13,511,147** | **13,236,422** |

**NOTES TO THE HALF YEAR INDIVIDUAL ACCOUNTS**

**I - Publication context**

The half year 2022 financial statements were approved by the Executive Board on September 12, 2022.

**II - Highlights from the first half year**

The first half of 2022 marks a further increase in income related to the credit activity, which is in line with the Company's development trajectory. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since the 2015 financial year, the year in which AFL's activities began. It is measured in particular by the regular and constant increase in the outstanding portfolio of loans granted to member local authorities.

AFL's production of medium and long-term loans in the first half of 2022, which amounted to €215.3 million, was constrained by the level applied to the wear rate over the period for loans to local authorities. In the first days following the publication of the new wear rate applicable for the third quarter, a very rapid catch-up in loan production was triggered.

On January 13, 2022, AFL carried out under excellent conditions a new benchmark issue for an amount of 500 million euros maturing on March 20, 2029 in the form of sustainable bonds. This eighth benchmark issue since the creation of the AFL met with unprecedented success with demand for more than 2.22 billion euros expressed by 75 investors. The placement of the securities was carried out with a margin of 25 basis points above the government bond curve (OAT). During the first half of the year, the AFL also carried out, for the first time, a syndicated issue in a currency other than the Euro, as 250 million bonds denominated in sterling were placed at a margin of 47 basis points. above the rates of British government bonds, which constitutes a very good performance, moreover, with a new base of investors. Added to this is the execution of 3 private placements denominated in euros. A private placement of 50 million euros at 20 years carried out at a margin of 22 basis points above the OAT curve, a private placement of 25 million euros at 18 years at a margin of 25 basis points above the OAT curve and a tapping of the latter in the amount of 15 million at an equivalent margin.

In total, during the first half of the year, AFL raised €890 million at an average margin of 25 basis points above the OAT curve over a weighted average life of 7.1 years, realizing thus 75% of its financing needs for the year 2022.

In the first half of 2022, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL in the amount of 6.2 million euros as part of the 32nd capital increase, thus increasing the share capital from €196.8 million at December 31, 2021 to €203 million at June 30, 2022. The AFL Group now has 521 members, including 25 new local authorities, which joined the AFL Group during the period.

The first half of 2022 marks a further increase in the net interest margin to €7,636K compared to €6,312K at June 30, 2021. This increase is directly due to the increase in outstanding loans, which is in line with the trajectory of development of society. In addition to interest income, there are commitment and non-use commissions on cash lines in the amount of €94K compared to €87K in the first half of 2021 and capital gains on the sale of investment securities of €1,006K, after taking into account the result of the termination of the hedging relationship for securities, compared to €608K in the first half of 2021. Finally, in accordance with the principle of prudence which governs the reference framework of French accounting standards, impairments on investment securities were endowed during the first half of 2022 in the amount of €1,628K.

This results in net banking income of €7,038K compared to €7,585K at June 30, 2021.

Due to the negative interest rates that prevailed throughout the first of the first half of 2022 and in particular the 3-month Euribor against which the majority of AFL's exposures are swapped, the structure of the net margin of interest breaks down as follows:

▪ Income on debt in the first half of 2022 amounted to €10,542K, after taking into account interest on hedging, compared to €8,785K in the first half of 2021. This increase is due to an increase in outstanding debt and, above all, a continued fall in the 3-month Euribor in the first quarter.

▪ For the same reason, income from the loan portfolio is stable at €2,289K once restated for their hedges, compared to €2,001K in the first half of 2021. Indeed, the fall in rates has led certain loans to find themselves in negative yield, which, in total, explains the stabilization of loan income. However, this stabilization is only apparent as outstanding credit continues to grow with a constant credit margin above the cost of debt. This stabilization of income from the loan portfolio must be seen in parallel with the sharp increase in income from debts on the balance sheet

▪ With regard to income related to the management of the liquidity reserve and margin calls on forward financial instruments, they constitute an interest expense of -€5,195K, once restated for their hedges , compared to -€4,463K as of June 30, 2021. This deterioration is due to the increase in the amount of the liquidity reserve and above all to the continued fall in the 3-month Euribor rate into negative territory during the first quarter.

During the period, the portfolio management of the liquidity reserve generated a net amount of capital gains on disposals of €1,006K, compared with €608K during the first half of 2021.

The increase in allocations to provisions on investment securities to -€1,628K as of June 30, 2022 compared to -€724K as of June 30, 2021, comes from the rise in medium and long-term rates with the corollary of a widening of credit margins. If the rise in rates leads to the generation of unrealized capital losses on investment securities, they are largely mitigated by the unrealized capital gains generated on hedging swaps. The widening of credit margins, which reflects an increase in credit risk across the entire portfolio, is not due to the materialization of a credit event but to the deterioration of market conditions during the period due to the developments in the international situation.

As of June 30, 2022, general operating expenses, once re-invoicing and transfers of administrative expenses have been deducted, represented €6,676K compared to €5,801K as of June 30, 2021. They account for €2,821K in personnel expenses compared to €2,761K for the first half of the previous financial year. Administrative expenses after transfers and re-invoicing to Société Territoriale amounted to €3,855K compared to €3,040K for the first half of 2021. This increase of €815K in administrative expenses actually masks a virtual stability of expenses on external services and a sharp increase in taxes, including banking regulatory contributions which amounted to €523K in the first half of 2021 amounted to €1,132K in the first half of 2022 due to a doubling of the 2022 contribution to the single resolution fund to €1,094K compared to €481K in 2021.

The re-invoicing to Société Territoriale and the transfer of administrative expenses were stable at €1,039K in the first half of 2022, compared to €1,009K in the first half of 2021. The latter mainly consisted of the costs of rating debt issues over the period.

The result as of June 30, 2022 takes into account amortization which amounted to €511K as of June 30, 2022 compared to €366K as of June 30, 2021. This increase marks the continued investment of AFL in its information systems.

After depreciation and amortization, gross operating income as of June 30, 2022 was -€150k compared to €1,418k for the first half of 2021. AFL's net income as of June 30, 2022 shows a net loss of €150K against a net profit of €1,427K as of June 30, 2021. The loss recorded in the first half of 2022 under French accounting standards, mainly comes from provisions for individual impairments on securities in the investment portfolio, despite the increase in income from banking activity and operating expenses, which remained stable with the exception of the mandatory bank contributions already mentioned.

**Events after the end of the reporting period**

No significant subsequent events occurred on the beginning of the second half 2022 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 2021.

**Identity of the parent company consolidating the accounts of the Agence as of June 30, 2022**

Agence France Locale – Société Territoriale

41, quai d'Orsay 75 007 Paris

## IV - Notes to the Balance Sheet

### Note 1 - PORTFOLIO

*(€ '000s)*

| 30/06/2022 | 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 | 1,029,126 | 169,875 | | 1,199,001 |
| Unlisted securities | | | | - |
| Accrued interest | 3,975 | 464 | | 4,439 |
| Impairment | (1,794) | (193) | | (1,987) |
| **Net carrying amount** | **1,031,306** | **170,147** | **-** | **1,201,453** |
| Residual net Premium/Discount | 9,430 | 1,653 | | 11,083 |

| 31/12/2021 | | | | |
|---|---|---|---|---|
| **Fixed or variable income securities** | | | | |
| Listed securities | 914,177 | 10,030 | | 924,207 |
| Unlisted securities | | | | - |
| Accrued interest | 2,213 | - | | 2,213 |
| Impairment | (360) | - | | (360) |
| **Net carrying amount** | **916,031** | **10,030** | **-** | **926,061** |
| Residual net Premium/Discount | 16,577 | (20) | | 16,557 |

### 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 30/06/2022 | Total 31/12/2021 |
|---|---|---|---|---|---|---|---|---|
| **Government paper and similar securities** | | | | | | | | |
| Net amount | 79,336 | 126,511 | 475,016 | 346,468 | 1,027,331 | 3,975 | 1,031,306 | 916,031 |
| **NET CARRYING AMOUNT** | **79,336** | **126,511** | **475,016** | **346,468** | **1,027,331** | **3,975** | **1,031,306** | **916,031** |
| **Bonds and other fixed income securities** | | | | | | | | |
| Net amount | 70,599 | - | 59,786 | 39,298 | 169,683 | 464 | 170,147 | 10,030 |
| **NET CARRYING AMOUNT** | **70,599** | **-** | **59,786** | **39,298** | **169,683** | **464** | **170,147** | **10,030** |

### Analysis by type of portfolio

| Portfolio<br>*(€ '000s)* | Gross amount 31/12/2021 | Additions | Disposals | Transfers and other movements | Prem/Disc Amort. | Change in accrued interest | Impairment | Total 30/06/2022 | Unrealized gains/(losses) |
|---|---|---|---|---|---|---|---|---|---|
| Transaction | | | | | | | | | |
| Held-for-sale | 738,133 | 651,153 | (446,129) | (1,754) | (1,618) | 1,659 | (1,628) | 939,815 | (50,984) |
| Investment | 187,929 | 76,474 | (4,000) | 1,778 | (1,109) | 567 | | 261,639 | (14,136) |
| **NET CARRYING AMOUNT** | **926,061** | **727,627** | **(450,129)** | **24** | **(2,728)** | **2,226** | **(1,628)** | **1,201,453** | **(65,120)** |
| Of which Premium/Discount | 16,557 | (591) | (2,608) | 452 | (2,728) | | | 11,083 | |

## Note 2 -RECEIVABLES ON CREDIT INSTITUTIONS

### Accounts with central banks

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Mandatory reserve deposits with central banks | 748,999 | 1,175,973 |
| Other deposits | | |
| **Cash and central banks** | **748,999** | **1,175,973** |

### 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 30/06/2022 | Total 31/12/2021 |
|---|---|---|---|---|---|---|---|---|
| **Credit institutions** | | | | | | | | |
| Loans and receivables | | | | | | | | |
| - demand | 94,781 | | | | 94,781 | | 94,781 | 102,135 |
| - time | 155,000 | | | | 155,000 | 337 | 155,337 | 115,249 |
| Securities bought under repurchase agreements | | | | | | | | |
| **TOTAL** | **249,781** | **-** | **-** | **-** | **249,781** | **337** | **250,118** | **217,384** |
| Impairment | | | | | | | | |
| **NET CARRYING AMOUNT** | **249,781** | **-** | **-** | **-** | **249,781** | **337** | **250,118** | **217,384** |

## 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 30/06/2022 | Total 31/12/2021 |
|---|---|---|---|---|---|---|---|---|
| **Credit institutions** | | | | | | | | |
| Accounts and Overdrafts | | | | | | | | |
| - demand | 19 | | | | 19 | | 19 | 36 |
| - time | | | | | | | | |
| Securities sold under repurchase agreements | | | | | | | | |
| **TOTAL** | **19** | **-** | **-** | **-** | **19** | **-** | **19** | **36** |

## Note 4 - LOANS AND ADVANCES TO CUSTOMERS

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Short-term credit facilities | 20,369 | 10,510 |
| Other loans | 4,687,634 | 4,405,672 |
| **Customers transactions before impairment charges** | **4,708,003** | **4,416,182** |
| Impairment | | |
| **Net carrying amount** | **4,708,003** | **4,416,182** |
| *Of which related receivables* | 7,412 | 6,961 |
| *Of which gross doubtful receivables* | 4,002 | 3,822 |
| *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 30/06/2022 |
|---|---|---|---|---|---|---|---|---|
| **Loans and advances to customers** | 103,899 | 96,847 | 195,938 | 1,365,043 | 2,938,864 | **4,700,591** | **7,412** | **4,708,003** |

## Note 5 - BREAKDOWN OF FIXED ASSETS

*(€ '000s)*

| Intangible assets | 31/12/2021 | Additions | Transfers | Disposals | Amort. | Impairments | Other movements | 30/06/2022 |
|---|---|---|---|---|---|---|---|---|
| **Intangible assets** | **12,961** | **526** | | | | | **219** | **13,705** |
| Start-up costs | - | | | | | | | - |
| IT development costs | 12,663 | 526 | | | | | 354 | 13,543 |
| Web site | 298 | | | | | | (135) | 163 |
| Software | - | | | | | | | - |
| **Intangible assets in progress** | **221** | **99** | | **(2)** | | | **(219)** | **99** |
| **Intangible assets amortisation** | **(10,097)** | | | | **(487)** | | | **(10,584)** |
| **Net carrying amount** | **3,085** | **625** | | **(2)** | **(487)** | | | **3,221** |

| Property, plant & equipment | 31/12/2021 | | | | | | | 30/06/2022 |
|---|---|---|---|---|---|---|---|---|
| Property, plant & equipment | 292 | 20 | | | | | | 312 |
| Tangible assets in progress | - | | | | | | | - |
| Tangible assets amortization | (148) | | | | (24) | | | (172) |
| **Net carrying amount** | **143** | **20** | | | **(24)** | | | **139** |

## Note 6 - OTHER ASSETS AND ACCRUALS

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Other assets** | | |
| Cash collateral paid | 90,004 | 50,264 |
| Other assets | 295 | 187 |
| Impairment | | |
| **Net carrying amount** | **90,298** | **50,451** |
| | | |
| **Accruals** | | |
| Deferred charges on bond issues | 30,603 | 28,716 |
| Deferred charges on hedging transactions | 38,596 | 38,966 |
| Prepaid charges | 605 | 212 |
| Accrued interest not yet due on hedging transactions | 9,306 | 18,704 |
| Other deferred income | 100 | 62 |
| Other accruals | 24,221 | 9,129 |
| **TOTAL** | **103,431** | **95,789** |

## 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 30/06/2022 | Total 31/12/2021 |
|---|---|---|---|---|---|---|---|---|
| Negotiable debt securities | 229,577 | | | | 229,577 | | 229,577 | 208,256 |
| Bonds | | 845,657 | 1,710,303 | 3,931,102 | 6,487,062 | 6,136 | 6,493,198 | 6,370,428 |
| Other debt securities | | | | | - | | - | - |
| **TOTAL** | **229,577** | **845,657** | **1,710,303** | **3,931,102** | **6,716,639** | **6,136** | **6,722,775** | **6,578,684** |

## Note 8 - OTHER LIABILITIES and ACCRUALS

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Other liabilities** | | |
| Cash collateral received | 63,994 | 5,417 |
| Miscellaneous creditors | 2,594 | 2,982 |
| **TOTAL** | **66,588** | **8,399** |
| | | |
| **Accruals** | | |
| Transaction to pay and settlement accounts | | 613 |
| Premium EMTN issue | 34,715 | 38,112 |
| Unrealised gains on hedging instruments | 66,199 | 69,721 |
| Unearned income | 491 | 487 |
| Accrued expenses on hedging instruments | 13,503 | 11,287 |
| Other accrued expenses | 1 | |
| Other accruals | 19,478 | 895 |
| **TOTAL** | **134,388** | **121,115** |

## Note 9 - PROVISIONS

| (€ '000s) | Balance as of 31/12/2021 | Depreciation charges | Reversals amounts used | Reversals amounts not used | Other movements | Balance as of 30/06/2022 |
|---|---|---|---|---|---|---|
| **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 31/12/2020** | **168,400** | **-** | **-** | **-** | **-** | **-** | **(26,214)** | **2,887** | **145,073** |
| Change in share capital | 28,400 | | | | | | | | 28,400 |
| Change in share premium and reserves | | | | | | | | | |
| Allocation of 2020 net profit | | | | | | | 2,887 | (2,887) | |
| Net income as of 31/12/2021 | | | | | | | | 2,073 | 2,073 |
| Other changes | | | | | | | | | |
| **Balance as of 31/12/2021** | **196,800** | **-** | **-** | **-** | **-** | **-** | **(23,327)** | **2,073** | **175,546** |
| Dividend paid for 2021 | | | | | | | | | |
| Change in share capital | 6,200 (1) | | | | | | | | 6,200 |
| Change in share premium and reserves | | | | | | | | | |
| Allocation of 2021 net profit | | | | | | | 2,073 | (2,073) | |
| Net income as of 30/06/2022 | | | | | | | | (150) | (150) |
| Other changes | | | | | | | | | |
| **Balance as of 30/06/2022** | **203,000** | **-** | **-** | **-** | **-** | **-** | **(21,254)** | **(150)** | **181,597** |

(1) The share capital of Agence France Locale which amounts on 30 of June, 2022 to € 203,000,000 consists of 2,030,000 shares. The Company carried out one capital increase during during the first year-half 2022 subscribed on 31st May 2022 for € 6,200K.

## Note 11 - DERIVATIVES

### Outstanding notional and Fair value

| | 30/06/2022 | | | | 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Hedging transactions | | Others than Hedging transactions | | Hedging transactions | | Others than Hedging transactions | |
| *(€ '000s)* | Outstanding notional | Fair value | Outstanding notional | Fair value | Outstanding notional | Fair value | Outstanding notional | Fair value |
| **FIRM TRANSACTIONS** | **12,721,847** | **(19,740)** | **789,300** | **71** | **12,426,932** | **(46,293)** | **809,490** | **9** |
| **Organised markets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Interest rate contracts | | | | | | | | |
| Other contracts | | | | | | | | |
| **Over-the-counter markets** | **12,721,847** | **(19,740)** | **789,300** | **71** | **12,426,932** | **(46,293)** | **809,490** | **9** |
| Interest rate contracts | 11,519,081 | 63,301 | 789,300 | 71 | 11,698,697 | (35,683) | 809,490 | 9 |
| FRA | | | | | | | | |
| Cross Currency Swaps | 1,202,767 | (83,041) | | | 728,235 | (10,610) | | |
| 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 30/06/2022 | 11,671,128 | (€ '000s) |
| Amount of macro-hedge transaction as of 30/06/2022 | 1,050,719 | (€ '000s) |
| Amount of trading transaction as of 30/06/2022 | 789,300 | (€ '000s) |

### Notional amount by maturity

| | 30/06/2022 | | | | | |
|---|---|---|---|---|---|---|
| | Hedging transactions | | | Others than Hedging transactions | | |
| *(€ '000s)* | Less than 1 year | 1 year to 5 years | more than 5 years | Less than 1 year | 1 year to 5 years | more than 5 years |
| **FIRM TRANSACTIONS** | **1,410,957** | **2,734,488** | **8,576,402** | **97,100** | **390,800** | **301,400** |
| **Organised markets** | **-** | **-** | **-** | **-** | **-** | **-** |
| Interest rate contracts | | | | | | |
| Other contracts | | | | | | |
| **Over-the-counter markets** | **1,410,957** | **2,734,488** | **8,576,402** | **97,100** | **390,800** | **301,400** |
| Interest rate contracts | 1,018,763 | 2,368,724 | 8,131,594 | 97,100 | 390,800 | 301,400 |
| FRA | | | | | | |
| Cross Currency Swaps | 392,194 | 365,765 | 444,808 | | | |
| 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)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Interest and similar income** | **18,989** | **16,349** | **34,391** |
| Due from banks | 207 | 91 | 222 |
| Due from customers | 4,704 | 4,074 | 8,159 |
| Debt securities | 10,542 | 8,785 | 18,909 |
| Macro-hedge transactions | 1,360 | 988 | 2,257 |
| Other interest income | 2,175 | 2,411 | 4,845 |
| **Interest and similar expenses** | **(11,353)** | **(10,038)** | **(21,732)** |
| Due to banks | (3,477) | (2,523) | (6,213) |
| Bonds and other fixed income securities | (1,926) | (2,031) | (4,118) |
| *from Held-for-sale securities* | *(1,758)* | *(1,904)* | *(3,798)* |
| *from Investment securities* | *(168)* | *(127)* | *(321)* |
| Macro-hedge transactions | (3,776) | (3,075) | (6,560) |
| Other interest expenses | (2,175) | (2,409) | (4,841) |
| **Interest margin** | **7,636** | **6,312** | **12,659** |

### Note 13 - NET FEE AND COMMISSION INCOME

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Commission income** | **94** | **87** | **165** |
| Interbank transactions | | | |
| Customer transactions | 94 | 87 | 165 |
| Securities transactions | | | |
| Forward financial instruments transactions | | | |
| Currencies transactions | | | |
| Financing commitments and guarantee | | | |
| Other commissions recieved | | | |
| **Commission expenses** | **(75)** | **(240)** | **(324)** |
| Interbank transactions | (7) | (7) | (15) |
| Securities transactions | | | |
| Forward financial instruments transactions | (68) | (65) | (141) |
| Currencies transactions | | | |
| Financing commitments and guarantee | | | |
| Other commissions paid | | (168) | (168) |
| **Net fee and commission income** | **19** | **(153)** | **(159)** |

## Note 14 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains/(losses) on Trading book | | | |
| Gains/(losses) on forward financial instruments | 2,276 | (2,024) | (2,139) |
| Gains/(losses) on foreign currency transactions | 5 | 2 | 2.3 |
| **Gains or (losses) on trading portfolio** | **2,281** | **(2,022)** | **(2,137)** |
| Gains/(losses) from disposal of held-for-sale securities | (1,270) | 2,027 | 2,024 |
| Other income/(expenses) from held-for-sale securities | | | |
| Impairment (charges) and reversals on held-for-sale securities | (1,628) | (724) | (360) |
| **Gains or (losses) on held-for-sale portfolio** | **(2,898)** | **1,303** | **1,665** |

## Note 15 - OTHER BANKING INCOME

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Capital gains on loan disposals | | 2,146 | 2,146 |
| Other banking income | | | |
| **Other banking income** | **-** | **2,146** | **2,146** |
| Capital losses on loan disposals | | | |
| Other banking expense | | | |
| **Other banking expense** | **-** | **-** | **-** |
| **TOTAL** | **-** | **2,146** | **2,146** |

## Note 16 - GENERAL OPERATING EXPENSES

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Employee expenses | | | |
| Wages and salaries | 1,876 | 1,806 | 3,868 |
| Post-employment benefit expenses | 178 | 179 | 379 |
| Other expenses | 767 | 775 | 1,684 |
| **Total Employee expenses** | **2,821** | **2,761** | **5,931** |
| Operating expenses | | | |
| Taxes and duties | 1,230 | 604 | 705 |
| External services | 3,665 | 3,445 | 6,116 |
| **Total Administrative expenses** | **4,895** | **4,049** | **6,821** |
| Charge-backs and reclassification of administrative expenses | (1,039) | (1,009) | (1,460) |
| **Total General operating expenses** | **6,676** | **5,801** | **11,292** |

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

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains on sales of Investment securities | | 8 | 8 |
| Gains on sales of tangible or intangible assets | | | |
| Reversal of impairment | | | |
| **Total Gains on fixed assets** | **-** | **8** | **8** |
| 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** | **-** | **8** | **7** |

## Note 18 - INCOME TAX CHARGE

The standard method for current tax has been chosen for report individual accounts.

Tax losses amounting to €19.8m at 2022 half-year closing  were not recognised as deferred tax assets.

## Note 19 - RELATED PARTIES

There are, on 30 June 2022, 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 - Société térritoriale at normal market conditions.

# 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, 2022
Agence France Locale S.A.
112, rue Garibaldi 69006 Lyon

*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.

Registered office: 112, rue Garibaldi 69006 Lyon
Share capital: €.203 000 000

## 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, 2022

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, 2022 to June 31, 2022.

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, 2022 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 28 September 2022 | Paris, on the 28 September 2022 |
| KPMG S.A. | Cailliau Dedouit et Associés |
| Xavier de Coninck<br>*Partner* | Sandrine Le Mao<br>*Partner* |

## 2. Half-year financial statements prepared according to IFRS

## AGENCE FRANCE LOCALE IFRS GAAP

### BALANCE SHEET

#### Assets as of June 30, 2022

| *(€ '000s)* | Notes | 30/06/2022 | 31/12/2021 |
|---|---|---|---|
| Cash, central banks | 5 | 748,956 | 1,175,917 |
| Financial assets at fair value through profit or loss | 1 | 20,205 | 10,385 |
| Hedging derivative instruments | 2 | 655,689 | 172,891 |
| Financial assets at fair value through other comprehensive income | 3 | 876,968 | 721,146 |
| Securities at amortized cost | 4 | 258,678 | 205,979 |
| Loans and receivables due from credit institutions and similar items at amortized cost | 5 | 340,203 | 267,749 |
| Loans and receivables due from customers at amortized cost | 6 | 4,239,080 | 4,431,048 |
| Revaluation adjustment on interest rate risk-hedged portfolios | | | 4,158 |
| Current tax assets | | | |
| Deferred tax assets | 7 | 6,048 | 5,156 |
| Accruals and other assets | 8 | 1,130 | 539 |
| Intangible assets | 9 | 3,221 | 3,085 |
| Property, plant and equipment | 9 | 1,117 | 1,225 |
| Goodwill | | | |
| **TOTAL ASSETS** | | **7,151,295** | **6,999,277** |

#### Liabilities as of June 30, 2022

| *(€ '000s)* | Notes | 30/06/2022 | 31/12/2021 |
|---|---|---|---|
| Central banks | | 183 | 1,174 |
| Financial liabilities at fair value through profit or loss | 1 | 20,134 | 10,376 |
| Hedging derivative instruments | 2 | 695,017 | 225,180 |
| Debt securities | 10 | 6,111,221 | 6,571,730 |
| Due to credit institutions | 11 | 64,013 | 5,453 |
| Due to customers | | | |
| Revaluation adjustment on interest rate hedged portfolios | | 72,180 | |
| Current tax liabilities | | | |
| Deferred tax liabilities | 7 | 396 | 169 |
| Accruals and other liabilities | 12 | 3,610 | 4,709 |
| Provisions | 13 | 133 | 134 |
| **Equity** | | **184,407** | **180,352** |
| **Equity, Group share** | | **184,407** | **180,352** |
| Share capital and reserves | | 203,000 | 196,800 |
| Consolidated reserves | | (17,355) | (19,085) |
| Reevaluation reserve | | | |
| Gains and losses recognised directly in equity | | (2,636) | 907 |
| Profit (loss) for the period | | 1,397 | 1,730 |
| **Non-controlling interests** | | | |
| **TOTAL LIABILITIES** | | **7,151,295** | **6,999,277** |

## Income statement

| (€ '000s) | Notes | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|---|
| Interest and similar income | 14 | 19,008 | 16,395 | 34,447 |
| Interest and similar expenses | 14 | (11,353) | (10,038) | (21,732) |
| Fee & Commission Income | 15 | 94 | 87 | 165 |
| Fee & Commission Expense | 15 | (75) | (240) | (324) |
| Net gains (losses) on financial instruments at fair value through profit or loss | 16 | 3,154 | (1,978) | (2,454) |
| Net gains or losses on financial instruments at fair value through other comprehensive income | 17 | (1,270) | 2,027 | 2,024 |
| Net gains and losses on derecognition of financial assets at amortised cost | 18 | | 2,154 | 1,834 |
| Income on other activities | | | | |
| Expenses on other activities | | | | |
| **NET BANKING INCOME** | | **9,558** | **8,406** | **13,960** |
| Operating expenses | 19 | (6,601) | (5,724) | (11,137) |
| Net depreciation, amortisation and impairments of tangible and intangible assets | 9 | (579) | (443) | (971) |
| **GROSS OPERATING INCOME** | | **2,378** | **2,239** | **1,852** |
| Cost of risk | 20 | (391) | (273) | (95) |
| **OPERATING INCOME** | | **1,987** | **1,967** | **1,757** |
| Net gains and losses on other assets | 21 | | | (0.01) |
| **INCOME BEFORE TAX** | | **1,987** | **1,967** | **1,757** |
| Income tax | 22 | (589) | (197) | (27) |
| **NET INCOME** | | **1,397** | **1,770** | **1,730** |
| Non-controlling interests | | | | |
| **NET INCOME GROUP SHARE** | | **1,397** | **1,770** | **1,730** |
| Basic earnings per share (in EUR) | | 0.69 | 0.93 | 0.88 |
| Diluted earnings per share (in EUR) | | 0.69 | 0.93 | 0.88 |

## Net income and other comprehensive income

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Net income** | **1,397** | **1,770** | **1,730** |
| **Items will be reclassified subsequently to profit or loss** | **(477)** | **264** | **1,292** |
| Revaluation of financial assets at fair value through other comprehensive income recyclable to income | (709) | 266 | 1,696 |
| Other items recognized through other comprehensive income recyclable to income | | | |
| Related taxes | 233 | (3) | (404) |
| **Elements not recyclable in profit or loss** | **(3,066)** | **(141)** | **(798)** |
| Revaluation in respect of defined benefit plans | | | |
| Revaluation of financial assets at fair value through to equity | (4,088) | (188) | (1,064) |
| Other items recognized through other comprehensive income not recyclable to income | | | |
| Related taxes | 1,022 | 47 | 266 |
| **Total gains and losses recognized directly in equity** | **(3,542)** | **123** | **494** |
| **COMPREHENSIVE INCOME** | **(2,145)** | **1,893** | **2,224** |

# Consolidated statement of changes in equity

| (€ '000s) | Capital | Associated reserves to capital | Consolidated reserves | Gains and losses recognized directly in comprehensive income – Recyclable: Net change in fair value of Financial assets at fair value through other comprehensive income, after tax | Gains and losses recognized directly in comprehensive income – Recyclable: Net change in fair value of cash flow hedging derivatives, after tax | Gains and losses recognized directly in comprehensive income – Not recyclable: Revaluation in respect of defined benefit plans | Gains and losses recognized directly in comprehensive income – Not recyclable: Other items recognized through other comprehensive income not recyclable to income | Net income, Group share | Share-holders' equity - Group share | Share-holders'equity, non-controlling interests | Total share-holders equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders' equity at 1 january 2021** | **168,400** | **-** | **(21,380)** | **(331)** | **-** | **-** | **744** | **2,295** | **149,728** | **-** | **149,728** |
| Increase in share capital | 28,400 | | | | | | | | 28,400 | | 28,400 |
| Elimination of treasury shares | | | | | | | | | | | |
| Allocation of profit 2020 | | | 2,295 | | | | | (2,295) | | | |
| Dividends 2020 paid | | | | | | | | | | | |
| **Sub-total of changes linked to transactions with shareholders** | **28,400** | **-** | **2,295** | **-** | **-** | **-** | **-** | **(2,295)** | **28,400** | **-** | **28,400** |
| Changes in fair value through equity | | | | 1,638 | | | | | 1,638 | | 1,638 |
| Change in value of through profit or loss | | | | 59 | | | | | 59 | | 59 |
| Revaluation of financial assets at fair value through not recyclable equity | | | | | | | (1,064) | | (1,064) | | (1,064) |
| Changes in actuarial gains on retirement benefits | | | | | | | | | | | |
| Related taxes | | | | (404) | | | 266 | | (138) | | (138) |
| **Changes in gains and losses recognized directly in equity** | **-** | **-** | **-** | **1,292** | **-** | **-** | **(798)** | **-** | **494** | **-** | **494** |
| 2021 Net income | | | | | | | | 1,730 | 1,730 | | 1,730 |
| **Sub-total** | **-** | **-** | **-** | **1,292** | **-** | **-** | **(798)** | **1,730** | **2,224** | **-** | **2,224** |
| Effect of acquisitions and disposals on non-controlling interests | | | | | | | | | | | |
| **Shareholders' equity at 31 December 2021** | **196,800** | **-** | **(19,085)** | **961** | **-** | **-** | **(54)** | **1,730** | **180,352** | **-** | **180,352** |
| Increase in share capital | 6,200 (1) | | | | | | | | 6,200 | | 6,200 |
| Elimination of treasury shares | | | | | | | | | | | |
| Allocation of profit 2021 | | | 1,730 | | | | | (1,730) | | | |
| Dividends 2021 paid | | | | | | | | | | | |
| **Sub-total of changes linked to transactions with shareholders** | **6,200** | **-** | **1,730** | **-** | **-** | **-** | **-** | **(1,730)** | **6,200** | **-** | **6,200** |
| Changes in fair value through equity | | | | (714) | | | | | (714) | | (714) |
| Change in value of through profit or loss | | | | 5 | | | | | 5 | | 5 |
| Revaluation of financial assets at fair value through not recyclable equity | | | | | | | (4,088) | | (4,088) | | (4,088) |
| Changes in actuarial gains on retirement benefits | | | | | | | | | | | |
| Related taxes | | | | 233 | | | 1,022 | | 1,255 | | 1,255 |
| **Changes in gains and losses recognized directly in equity** | **-** | **-** | **-** | **(477)** | **-** | **-** | **(3,066)** | **-** | **(3,542)** | **-** | **(3,542)** |
| 30 June 2022 Net income | | | | | | | | 1,397 | 1,397 | | 1,397 |
| **Sub-total** | **-** | **-** | **-** | **(477)** | **-** | **-** | **(3,066)** | **1,397** | **(2,145)** | **-** | **(2,145)** |
| Effect of acquisitions and disposals on non-controlling interests | | | | | | | | | | | |
| **Shareholders' equity at 30 June 2022** | **203,000** | **-** | **(17,355)** | **485** | **-** | **-** | **(3,120)** | **1,397** | **184,407** | **-** | **184,407** |

(1) The share capital of Agence France Locale which amounts on 30 of June, 2022 to € 203,000,000 consists of 2,030,000 shares. The Company carried out one capital increases during the first year-half 2022 subscribed on 31st May 2022 to € 6,200K.

## Cash flow statement

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Net income before taxes** | **1,987** | **1,757** |
| +/- Net depreciation and amortisation of tangible and intangible non-current assets | 579 | 971 |
| +/- Net provisions and impairment charges | 391 | 144 |
| +/- Expense/income from investing activities | 1,870 | (1,066) |
| +/- Expense/income from financing activities | 326 | 599 |
| +/- Other non-cash items | 7,169 | (3,580) |
| **= Non-monetary items included in net income before tax and other adjustments** | **10,335** | **(2,932)** |
| +/- Cash from interbank operations | | |
| +/- Cash from customer operations | (292,034) | (734,373) |
| +/- Cash from financing assets and liabilities | (51,303) | 33,105 |
| +/- Cash from not financing assets and liabilities | 58,652 | (2,450) |
| - Income tax paid | | |
| = Decrease/(increase) in cash from operating activities | (284,685) | (703,718) |
| **= CASH FLOW FROM OPERATING ACTIVITIES (A)** | **(272,363)** | **(704,893)** |
| +/- Flows linked to financial assets and investments | (320,209) | (164,330) |
| +/- Flows linked to investment properties | | |
| +/- Flows linked to tangible and intangible non-current assets | (643) | (1,587) |
| **= CASH FLOW FROM INVESTING ACTIVITIES (B)** | **(320,852)** | **(165,917)** |
| +/- Cash from or for shareholders | 6,200 | 28,400 |
| +/- Other cash from financing activities | 152,687 | 1,436,984 |
| **= CASH FLOW FROM FINANCING ACTIVITIES (C)** | **158,887** | **1,465,384** |
| **EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)** | | |
| **Increase/(decrease) in cash equivalents (A + B+ C + D)** | **(434,328)** | **594,574** |
| Cash flow from operating activities (A) | (272,363) | (704,893) |
| Cash flow from investing activities (B) | (320,852) | (165,917) |
| Cash flow from financing activities (C) | 158,887 | 1,465,384 |
| Effect of changes in exchange rates on cash and cash equivalents (D) | | |
| **Cash and cash equivalents at the beginning of the period** | **1,278,108** | **683,534** |
| Cash and balances with central banks (assets & liabilities) | 1,175,973 | 601,780 |
| Interbank accounts (assets & liabilities) and loans/deposits at sight | 102,135 | 81,754 |
| **Cash and cash equivalents at the end of the period** | **843,780** | **1,278,108** |
| Cash and balances with central banks (assets & liabilities) | 748,999 | 1,175,973 |
| Interbank accounts (assets & liabilities) and loans/deposits at sight | 94,781 | 102,135 |
| **CHANGE IN NET CASH** | **(434,328)** | **594,574** |

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS**

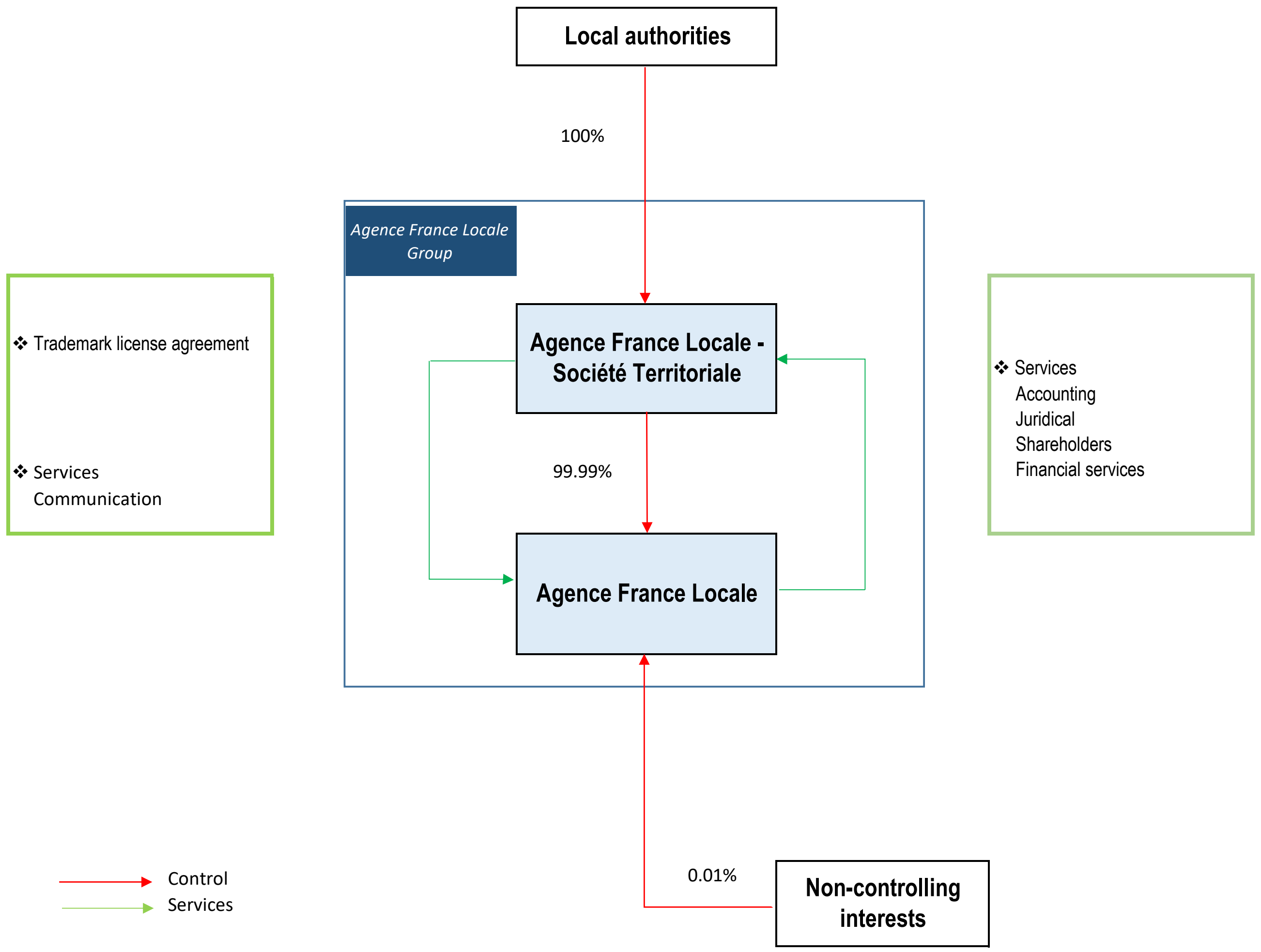
**General framework**

**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 2022 financial statements were approved by the Executive Board on September 12, 2022.

**II - Highlights from the first half year**

The first half of 2022 marks a further increase in income related to the credit activity, which is in line with the Company's development trajectory. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since the 2015 financial year, the year in which AFL's activities began. It is measured in particular by the regular and constant increase in the outstanding portfolio of loans granted to member local authorities.

AFL's production of medium and long-term loans in the first half of 2022, which amounted to €215.3 million, was constrained by the level applied to the wear rate over the period for loans to local authorities. In the first days following the publication of the new wear rate applicable for the third quarter, a very rapid catch-up in loan production was triggered.

On January 13, 2022, AFL carried out under excellent conditions a new benchmark issue for an amount of 500 million euros maturing on March 20, 2029 in the form of sustainable bonds. This eighth benchmark issue since the creation of the AFL met with unprecedented success with demand for more than 2.22 billion euros expressed by 75 investors. The placement of the securities was carried out with a margin of 25 basis points above the government bond curve (OAT). During the first half of the year, the AFL also carried out, for the first time, a syndicated issue in a currency other than the Euro, as 250 million bonds denominated in sterling were placed at a margin of 47 basis points. above the rates of British government bonds, which constitutes a very good performance, moreover, with a new base of investors. Added to this is the execution of 3 private placements denominated in euros. A private placement of 50 million euros at 20 years carried out at a margin of 22 basis points above the OAT curve, a private placement of 25 million euros at 18 years at a margin of 25 basis points above the OAT curve and a tapping of the latter in the amount of 15 million at an equivalent margin.

In total, during the first half of the year, AFL raised €890 million at an average margin of 25 basis points above the OAT curve over a weighted average life of 7.1 years, realizing thus 75% of its financing needs for the year 2022.

In the first half of 2022, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL in the amount of 6.2 million euros as part of the 32nd capital increase, thus increasing the share capital from €196.8 million at December 31, 2021 to €203 million at June 30, 2022. The AFL Group now has 521 members, including 25 new local authorities, which joined the AFL Group during the period.

The first half of 2022 marks a further increase in the net interest margin to €7,655K compared to €6,357K at June 30, 2021. This increase is directly due to the increase in outstanding loans, which is in line with the trajectory of development of society. In addition to interest income, there are commitment and non-use commissions on cash lines in the amount of €94K compared to €87K in the first half of 2021, and capital gains on the sale of investment securities of €1,006K, after taking into account the result of the termination of the hedging relationship for securities, compared to €608K in the first half of 2021. Finally, income from hedge accounting amounted to €876K.

This results in net banking income of €9,558K as of June 30, 2022 compared to €8,423K as of June 30, 2021.

Due to the negative interest rates that prevailed throughout the first of the first half of 2022 and in particular the 3-month Euribor against which the majority of AFL's exposures are swapped, the structure of the net margin of interest breaks down as follows:

- Income on debt in the first half of 2022 amounted to €10,539K, after taking into account interest on hedging, compared to €8,783K in the first half of 2021. This increase is due to an increase in outstanding debt and, above all, a continued fall in the 3-month Euriborin the first quarter.

- For this same reason, income from the loan portfolio is stable at €2,289K once restated for their hedges, compared to €2,001K in the first half of 2021. Indeed, the fall in rates has led some loans to find themselves in negative return, which in total explains the stabilization of income from the loan portfolio. However, this stabilization is only apparent as outstanding credit continues to grow with a constant credit margin above the cost of debt. This stabilization of income from the loan portfolio must be seen alongside the sharp increase in income from debt on the balance sheet.

- With regard to income related to the management of the liquidity reserve and margin calls on forward financial instruments, they constitute an interest expense of -€5,172K, once restated for their hedges , compared to -€4,413K as of June 30, 2021. This deterioration is due to the increase in the amount of the liquidity reserve and above all to the continued fall in the 3-month Euribor rate into negative territory during the first quarter.

During the period, the portfolio management of the liquidity reserve generated €1,006K of positive income on the sale of securities at fair value through other comprehensive income, compared with €608K during the first half of 2021.

The net result of hedge accounting amounts to €3,153K. It consists of two elements; on the one hand, proceeds from the termination of interest rate hedging related to the sale of securities mentioned above for €2,276K and on the other hand the sum of fair value differences of the hedged items and their hedging instruments for €876K. Among these differences, -€310K relates to valuation differences on rate hedging instruments classified as macro-hedging and €1,180K relates to valuation differences on rate hedging instruments classified as micro-hedging and denominated in euros. There thus remains, as hedging ineffectiveness, 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 an ESTER 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, 2022, general operating expenses represented €6,601K compared to €5,724K as of June 30, 2021. They account for €2,802K in personnel expenses, compared with those of the first half of the previous financial year, which amounted to €2,761K. General operating expenses also include administrative expenses, which amounted to €3,798K, after re-invoicing to Société Territoriale against €2,962K as of June 30, 2021. This increase of €815K in administrative expenses actually conceals quasi-stability of expenses for external services and a sharp increase in taxes and duties, including contributions to banking regulatory bodies which amounted to €523K in the first half of 2021 amounted to €1,132K in the first half 2022 due to a doubling of the 2022 contribution to the single resolution fund to €1,094K compared to €481K in 2021.

The result as of June 30, 2022 takes into account the amortization and depreciation of intangible and tangible fixed assets, which amounted to €579K as of June 30, 2022 compared to €443K as of June 30, 2021. This increase marks the permanence of AFL's investments in its information systems.

After amortization, gross operating income as of June 30, 2022 amounted to €2,378K compared to €2,239K for the first half of 2021.

The cost of risk relating to ex ante impairments for expected credit losses (ECL) on financial assets under IFRS 9 represents an expense of €391K in the first half of 2022, compared to €273K in the first half of 2021. This increase in the cost of risk comes for €136K from the increase in outstandings and for €255K from the modification of the assumptions used for the construction of macro-economic scenarios by asset class in order to take into account a context of deterioration in the macro-economic environment following the conflict between Russia and Ukraine. The stock of impairments stood at €1,263K as of June 30, 2022.

After the allocation of the cost of risk resulting from the application of the IFRS 9 standard, the operating result at June 30, 2022, amounted to €1,987K compared to €1,967K at June 30, 2021. Finally after taking taking into account deferred tax charges on temporary differences, net income amounted to €1,397K compared to €1,770K at June 30, 2021.

**Subsequent events**

No significant subsequent events occurred on the beginning of the second half 2022 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 2021.

## V - Notes to the Balance Sheet

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

| | 30/06/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| *(€ '000s)* | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Financial assets held for trading | 20,205 | 20,134 | 10,385 | 10,376 |
| Financial assets at fair value option through profit or loss | | | | |
| **Total financial assets at fair value through profit or loss** | **20,205** | **20,134** | **10,385** | **10,376** |

### Financial assets held for trading

| | 30/06/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| *(€ '000s)* | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Equity instruments | | | | |
| Debt securities | | | | |
| Loans and advances | | | | |
| Derivatives | 20,205 | 20,134 | 10,385 | 10,376 |
| **Total Financial assets held for trading** | **20,205** | **20,134** | **10,385** | **10,376** |

| | 30/06/2022 | | | | 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Notional amount** | | **Fair value** | | **Notional amount** | | **Fair value** | |
| *(€ '000s)* | **To receive** | **To deliver** | **Positive** | **Negative** | **To receive** | **To deliver** | **Positive** | **Negative** |
| **FIRM TRANSACTIONS** | **394,650** | **394,650** | **20,205** | **20,134** | **404,745** | **404,745** | **10,385** | **10,376** |
| **Organised markets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Interest rate contracts | | | | | | | | |
| Other contracts | | | | | | | | |
| **Over-the-counter markets** | **394,650** | **394,650** | **20,205** | **20,134** | **404,745** | **404,745** | **10,385** | **10,376** |
| Interest rate contracts | 394,650 | 394,650 | 20,205 | 20,134 | 404,745 | 404,745 | 10,385 | 10,376 |
| 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

| | 30/06/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| *(€ '000s)* | Assets | Liabilities | Assets | Liabilities |
| Derivatives designated as fair value hedges | 559,415 | 669,609 | 159,474 | 206,626 |
| Derivatives designated as cash flow hedges | | | | |
| Derivatives designated as portfolio hedges | 96,274 | 25,408 | 13,416 | 18,554 |
| **Total Hedging derivatives** | **655,689** | **695,017** | **172,891** | **225,180** |

### Detail of derivatives designated as fair value hedges

| | 30/06/2022 | | | | 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount | | Fair value | | Notional amount | | Fair value | |
| *(€ '000s)* | To receive | To deliver | Positive | Negative | To receive | To deliver | Positive | Negative |
| **FIRM TRANSACTIONS** | **6,718,515** | **4,952,613** | **559,415** | **669,609** | **6,524,655** | **4,871,489** | **159,474** | **206,626** |
| **Organised markets** | - | - | - | - | - | - | - | - |
| **Over-the-counter markets** | **6,718,515** | **4,952,613** | **559,415** | **669,609** | **6,524,655** | **4,871,489** | **159,474** | **206,626** |
| Interest rate contracts | 5,711,876 | 4,756,485 | 532,037 | 559,189 | 5,881,876 | 4,786,033 | 148,970 | 185,512 |
| FRA | | | | | | | | |
| Cross Currency Swaps | 1,006,639 | 196,127 | 27,378 | 110,419 | 642,779 | 85,456 | 10,505 | 21,115 |
| Other contracts | | | | | | | | |
| **CONDITIONAL TRANSACTIONS** | - | - | - | - | - | - | - | - |
| **Organised markets** | - | - | - | - | - | - | - | - |
| **Over-the-counter markets** | - | - | - | - | - | - | - | - |

### Detail of derivatives designated as interest rate hedged portfolios

| | 30/06/2022 | | | | 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount | | Fair value | | Notional amount | | Fair value | |
| *(€ '000s)* | To receive | To deliver | Positive | Negative | To receive | To deliver | Positive | Negative |
| **FIRM TRANSACTIONS** | **208,360** | **842,359** | **96,274** | **25,408** | **206,360** | **824,428** | **13,416** | **18,554** |
| **Organised markets** | - | - | - | - | - | - | - | - |
| Interest rate contracts | | | | | | | | |
| Other contracts | | | | | | | | |
| **Over-the-counter markets** | **208,360** | **842,359** | **96,274** | **25,408** | **206,360** | **824,428** | **13,416** | **18,554** |
| Interest rate contracts | 208,360 | 842,359 | 96,274 | 25,408 | 206,360 | 824,428 | 13,416 | 18,554 |
| FRA | | | | | | | | |
| Cross Currency Swaps | | | | | | | | |
| Other contracts | | | | | | | | |
| **CONDITIONAL TRANSACTIONS** | - | - | - | - | - | - | - | - |
| **Organised markets** | - | - | - | - | - | - | - | - |
| **Over-the-counter markets** | - | - | - | - | - | - | - | - |

**PORTFOLIO**

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

### Fixed-income securities - Analysis by nature

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Government paper and similar securities | 723,374 | 721,146 |
| Bonds | 153,594 | |
| Other fixed income securities | | |
| **Net amount in balance sheet** | **876,968** | **721,146** |
| Including depreciation | (675) | (453) |
| Including net unrealised gains and losses | (50,975) | 2,720 |

| Expected credit losses on debt instruments | 12-month expected losses | Lifetime expected losses | | Incurred losses |
|---|---|---|---|---|
| | | Individual | collective | |
| **Expected losses as of 31st December 2021** | **(453)** | **-** | **-** | **-** |
| *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** | **(222)** | **-** | **-** | **-** |
| *Acquisitions* | (300) | | | |
| *Re-estimate of parameters* | (42) | | | |
| *Bad debts written off* | | | | |
| *On sales* | 120 | | | |
| **Expected losses as of 30th June 2022** | **(675)** | **-** | **-** | **-** |

### Fixed-income securities - Analysis by contreparty

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Local public sector | 583,769 | 589,394 |
| Financial institutions and other financial corporations | 289,181 | 131,752 |
| Non-financial corporations | 4,019 | - |
| **Net amount in balance sheet** | **876,968** | **721,146** |

Fixed income securities held on Financial institutions include € 54,362K 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 31/12/2021 | Additions | Disposals | Other movements | Change in fair value recognised in equity | Change in accrued interest | Prem/Disc Amort. | Total amount as of 30/06/2022 |
|---|---|---|---|---|---|---|---|---|
| Government paper and similar securities | 721,146 | 493,011 | (442,387) | (1,754) | (46,127) | 1,327 | (1,842) | 723,374 |
| Bonds | - | 158,142 | - | - | (5,109) | 356 | 205 | 153,594 |
| Other fixed income securities | - | - | - | | - | - | - | - |
| **TOTAL** | **721,146** | **651,153** | **(442,387)** | **(1,754)** | **(51,236)** | **1,683** | **(1,637)** | **876,968** |

## Note 4 - SECURITIES AT AMORTIZED COST

**Fixed-income securities - Analysis by nature**

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Government paper and similar securities | 246,997 | 195,921 |
| Bonds | 11,681 | 10,058 |
| Other fixed income securities | | |
| **Net amount in balance sheet** | **258,678** | **205,979** |
| Including expected credit losses on debt instruments | (257) | (162) |

| 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 2021** | **(162)** | **-** | **-** | **-** |
| *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** | **(95)** | **-** | **-** | **-** |
| *Acquisitions* | (76) | | | |
| *Re-estimate of parameters* | (23) | | | |
| *Bad debts written off* | | | | |
| *On sales* | 4 | | | |
| **Expected losses as of 30th June 2022** | **(257)** | **-** | **-** | **-** |

**Fixed-income securities - Analysis by contreparty**

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Local public sector | 115,782 | 105,679 |
| Financial institutions and other financial corporations | 142,896 | 100,299 |
| Non-financial corporations | | |
| **Net amount in balance sheet** | **258,678** | **205,979** |

Fixed income securities held on Financial institutions include € 131,215K of securities guaranteed by States of the European Economic Area.

**Changes in securities at amortized cost**

| *(€ '000s)* | Total amount as of 31/12/2021 | Additions | Disposals | Other movements | Interest rate Reevaluation | Change in accrued interest | Prem/Disc Amort. | Expected credit losses change | Total amount as of 30/06/2022 |
|---|---|---|---|---|---|---|---|---|---|
| Government paper and similar securities | 195,921 | 68,789 | (4,000) | 1,778 | (14,733) | 435 | (1,107) | (86) | 246,997 |
| Bonds | 10,058 | 7,685 | (6,214) | - | 36 | 108 | 16 | (8) | 11,681 |
| Other fixed income securities | - | - | - | - | - | - | - | - | - |
| **TOTAL** | **205,979** | **76,474** | **(10,213)** | **1,778** | **(14,697)** | **543** | **(1,091)** | **(95)** | **258,678** |

## Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

### Accounts with central banks

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Mandatory reserve deposits with central banks | 748,999 | 1,175,973 |
| Other deposits | | |
| **Cash and central banks** | **748,999** | **1,175,973** |
| Impairment | (43) | (56) |
| **Net amount in balance sheet** | **748,956** | **1,175,917** |

### Receivables on credit institutions

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Loans and receivables | | |
| - on demand and short notice | 94,781 | 102,135 |
| - term | 155,560 | 115,450 |
| Cash collateral paid | 89,930 | 50,195 |
| Securities bought under repurchase agreements | | |
| **TOTAL** | **340,271** | **267,780** |
| Impairment for expected losses | (68) | (31) |
| **NET CARRYING AMOUNT** | **340,203** | **267,749** |

### Note 6 - LOANS AND ADVANCES TO CUSTOMERS

| (€ '000s) | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Short-term credit facilities | 20,369 | 10,510 |
| Other loans | 4,218,921 | 4,420,696 |
| **Customers transactions before impairment charges** | **4,239,289** | **4,431,206** |
| Impairment | (210) | (158) |
| **Net carrying amount** | **4,239,080** | **4,431,048** |
| *Of which individual impairment* | (210) | (158) |
| *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 2021** | **(224)** | **(21)** | **-** | **-** |
| *Transfers from 12-month to maturity* | 0.2 | (0.2) | | |
| *Transfers from maturity to 12-month* | (3) | 3 | | |
| *Transfers from expected to incurred losses* | | | | |
| **Total transfer movment** | **(3)** | **3** | **-** | **-** |
| **Movment attributable to financial instruments recognized over the period** | **(64)** | **(12)** | **-** | **-** |
| *Production and acquisition* | (12) | (0.2) | | |
| *Re-estimate of parameters* | (59) | (12) | | |
| *Bad debts written off* | | | | |
| *Repayments* | 6 | 0.5 | | |
| **Expected losses as of 30th June 2022** | **(291)** | **(30)** | **-** | **-** |

### SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

| (€ '000s) | 31/12/2021 | Depreciation charges | Reversals amounts not used | Net charge | Utilised | 30/06/2022 |
|---|---|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | | | | | |
| *Depreciations on performing assets* | 453 | 342 | (120) | **222** | | **675** |
| *Depreciations on non-performing assets* | | | | | | **-** |
| *Depreciations on doubtfull assets* | | | | | | **-** |
| **Total** | **453** | **342** | **(120)** | **222** | | **675** |
| | | | | | | |
| **Financial assets at amortized cost** | | | | | | |
| *Depreciations on performing assets* | 386 | 169 | (8) | **162** | | **548** |
| *Depreciations on non-performing assets* | 22 | 12 | (3) | **9** | | **31** |
| *Depreciations on doubtfull assets* | | | | | | **-** |
| **Total** | **408** | **181** | **(11)** | **171** | | **578** |

### 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** | 748,999 | | | (43) | | | **748,956** |
| **Financial assets at fair value through other comprehensive income** | 877,644 | | | (675) | | | **876,968** |
| **Securities at amortized cost** | 258,935 | | | (257) | | | **258,678** |
| **Loans and receivables due from credit institutions at amortized cost** | 340,271 | | | (68) | | | **340,203** |
| **Loans and receivables due from customers at amortized cost** | 4,219,127 | 16,163 | 3,999 | (181) | (27) | (2) | **4,239,080** |

## Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Net asset as at 1st of january** | **4,987** | **5,154** |
| *Of which deferred tax assets* | 5,156 | 5,401 |
| *Of which deferred tax liabilities* | 169 | 248 |
| **Recognised in income statement** | **(589)** | **(28)** |
| Income statement (charge) / credit | (589) | (28) |
| **Recognised in equity** | **1,255** | **(138)** |
| Financial assets at fair value through other comprehensive income | 233 | (404) |
| Cash flow hedges | 1,022 | 266 |
| Other | | |
| **Net asset as at** | **5,652** | **4,987** |
| *Of which deferred tax assets* | 6,048 | 5,156 |
| *Of which deferred tax liabilities* | 396 | 169 |

Deferred tax are attributable to the following items:

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 64 | |
| Cash flow hedges | 1,040 | 18 |
| Losses carried forward | 4,944 | 4,944 |
| Other temporary differences | | 194 |
| **TOTAL DEFERRED TAX ASSETS** | **6,048** | **5,156** |

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | | 169 |
| Cash flow hedges | | |
| Other temporary differences | 396 | |
| **TOTAL DEFERRED TAX LIABILITIES** | **396** | **169** |

## Note 8 - OTHER ASSETS AND ACCRUALS

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Other assets** | | |
| Deposits | 74 | 70 |
| Other assets | 295 | 187 |
| Impairment | | |
| **Total** | **369** | **256** |
| **Accruals** | | |
| Prepaid charges | 605 | 212 |
| Other deferred income | 103 | 62 |
| Transaction to recieve and settlement accounts | 50 | |
| Other accruals | 2 | 8 |
| **Total** | **761** | **283** |
| **TOTAL OTHER ASSETS AND ACCRUALS** | **1,130** | **539** |

## Note 9 - BREAKDOWN OF FIXED ASSETS

*(€ '000s)*

| Intangible fixed assets | 31/12/2021 | Additions | Transfers | Disposals | Amort. and provisions | Other | 30/06/2022 |
|---|---|---|---|---|---|---|---|
| **Intangible fixed assets** | | | | | | | |
| IT development costs | 12,663 | 526 | | | | 354 | 13,543 |
| Other intangible assets | 298 | | | | | (135) | 163 |
| Intangible assets in progress | 221 | 99 | | (2) | | (219) | 99 |
| **Intangible fixed assets gross amount** | **13,182** | **625** | **-** | **(2)** | **-** | **-** | **13,804** |
| Depreciation and allowances - Intangible fixed assets | (10,097) | | | | (487) | | (10,584) |
| **Intangible fixed assets net carrying amount** | **3,085** | **625** | **-** | **(2)** | **(487)** | **-** | **3,221** |

| Tangible fixed assets | 31/12/2021 | Additions | Transfers | Disposals | Amort. and provisions | Other | 30/06/2022 |
|---|---|---|---|---|---|---|---|
| Commercial leases | 1,382 | | | | | (35) | 1,347 |
| Property, plant & equipment | 292 | 20 | | | | | 312 |
| **Tangible fixed assets gross amount** | **1,674** | **20** | **-** | **-** | **-** | **(35)** | **1,658** |
| Depreciation and allowances - Tangible fixed assets | (449) | | | | (92) | | (541) |
| **Tangible fixed assets net carrying amount** | **1,225** | **20** | **-** | **-** | **(92)** | **(35)** | **1,117** |

## Note 10 - DEBT SECURITIES

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Negotiable debt securities | 229,242 | 208,310 |
| Bonds | 5,881,979 | 6,363,421 |
| Other debt securities | | |
| **TOTAL** | **6,111,221** | **6,571,730** |

## NOTE 11 - DUE TO CREDIT INSTITUTIONS

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| Loans and receivables | | |
| - on demand and short notice | 19 | 36 |
| - term | | |
| Cash collateral paid | 63,994 | 5,417 |
| Securities bought under repurchase agreements | | |
| **TOTAL** | **64,013** | **5,453** |

## Note 12 - ACCRUALS AND OTHER LIABILITIES

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Other liabilities** | | |
| Miscellaneous creditors | 2,667 | 2,511 |
| **Total** | **2,667** | **2,511** |
| **Accruals** | | |
| Transaction to pay and settlement accounts | | 613 |
| Other accrued expenses | 919 | 1,560 |
| Unearned income | | |
| Other accruals | 23 | 25 |
| **Total** | **943** | **2,198** |
| **TOTAL ACCRUALS AND OTHER LIABILITIES** | **3,610** | **4,709** |

**Note 13 - PROVISIONS**

| *(€ '000s)* | Balance as of 31/12/2021 | Depreciation charges | Reversals amounts used | Reversals amounts not used | Other movements | Balance as of 30/06/2022 |
|---|---|---|---|---|---|---|
| **Provisions** | | | | | | |
| Financing commitment execution risks | 10 | 9 | | (10) | | 9 |
| Provisions for litigations | | | | | | |
| Provisions for employee retirement and similar benefits | 124 | | | | | 124 |
| Provisions for other liabilities to employees | | | | | | |
| Other provisions | | | | | | |
| **TOTAL** | **134** | **9** | **-** | **(10)** | **-** | **133** |

**OFF-BALANCE SHEET**

| *(€ '000s)* | 30/06/2022 | 31/12/2021 |
|---|---|---|
| **Commitments given** | **449,938** | **632,002** |
| Financing commitments | 396,749 | 574,710 |
| *For credit institutions* | | |
| *For customers* | *396,749* | *574,710* |
| Guarantee commitments | 53,189 | 57,292 |
| *For credit institutions* | | |
| *For customers* | *53,189* | *57,292* |
| Commitments on securities | | |
| *Securities to be delivered to the issuance* | | |
| *Other securities to be delivered* | | |
| | | |
| **Commitments received** | **2,025** | **2,090** |
| Financing commitments | | |
| *From credit institutions* | | |
| Guarantee commitments | 2,025 | 2,090 |
| *From credit institutions* | | |
| *From customers* | *2,025* | *2,090* |
| 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 2021** | **10** | **-** | **-** | **-** |
| *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** | (1) | | | |
| *Charge* | 9 | | | |
| *Utilised* | | | | |
| *Reversal untilised* | (10) | | | |
| **Expected losses as of 30th June 2022** | **9** | **-** | **-** | **-** |

## VI - Notes to the Income Statement

### Note 14 - INTEREST INCOME AND EXPENSES

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Interest and similar income** | **19,008** | **16,395** | **34,447** |
| Due from banks | 229 | 139 | 282 |
| Due from customers | 4,704 | 4,074 | 8,159 |
| Debt securities | 10,540 | 8,783 | 18,904 |
| Macro-hedge transactions | 1,360 | 988 | 2,257 |
| Other interest income | 2,175 | 2,411 | 4,845 |
| **Interest and similar expenses** | **(11,353)** | **(10,038)** | **(21,732)** |
| Due to banks | (3,477) | (2,523) | (6,213) |
| Bonds and other fixed income securities | (1,926) | (2,031) | (4,118) |
| *Financial assets at fair value through other comprehensive income* | *(1,805)* | *(1,954)* | *(3,901)* |
| *Securities at amortized cost* | *(120)* | *(77)* | *(218)* |
| Macro-hedge transactions | (3,776) | (3,075) | (6,560) |
| Other interest expenses | (2,175) | (2,409) | (4,841) |
| **Interest margin** | **7,655** | **6,357** | **12,715** |

### Note 15 - NET FEE AND COMMISSION INCOME

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Fee & Commission Income** | **94** | **87** | **165** |
| Interbank transactions | | | |
| Customer transactions | | 0.2 | 1 |
| Securities transactions | | | |
| Forward financial instruments transactions | | | |
| Currencies transactions | | | |
| Financing commitments and guarantee | 94 | 87 | 164 |
| Other commissions recieved | | | |
| **Fee & Commission Expense** | **(75)** | **(240)** | **(324)** |
| Interbank transactions | (7) | (7) | (15) |
| Securities transactions | | | |
| Forward financial instruments transactions | (68) | (65) | (141) |
| Currencies transactions | | | |
| Financing commitments and guarantee | | | |
| Other commissions paid | | (168) | (168) |
| **Net Fee and Commission income** | **19** | **(153)** | **(159)** |

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

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains/(losses) on Trading book | (3) | (0.4) | (0.5) |
| Net result of hedge accounting | 3,153 | (1,979) | (2,454) |
| Net result of foreign exchange transactions | 5 | 1 | 1 |
| **TOTAL** | **3,154** | **(1,978)** | **(2,454)** |

### Analysis of net result of hedge accounting

| (€ '000s) | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| **Fair value hedges** | | | |
| Fair value changes in the hedged item attributable to the hedged risk | 53,498 | 726 | 10,373 |
| Fair value changes in the hedging derivatives | (52,311) | (452) | (10,508) |
| Hedging relationship disposal gain | 2,276 | (2,024) | (1,823) |
| **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 | (80,335) | (15,043) | (23,758) |
| Fair value changes in the hedging derivatives | 80,025 | 14,814 | 23,262 |
| **Net result of hedge accounting** | **3,153** | **(1,979)** | **(2,454)** |

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

| (€ '000s) | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains from disposal of fixed income securities | 2,095 | 2,107 | 2,584 |
| Losses from disposal of fixed income securities | (3,365) | (80) | (560) |
| 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** | **(1,270)** | **2,027** | **2,024** |

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

| (€ '000s) | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains on derecognition of fixed income securities at amotised cost | | 8 | 8 |
| Losses on derecognition of fixed income securities at amotised cost | | | |
| Gains on loans sold | | 2,146 | 1,825 |
| Losses on loans sold | | | |
| **Total Net gains and losses on derecognition of financial assets at amortised cost** | **-** | **2,154** | **1,834** |

### Note 19 - GENERAL OPERATING EXPENSES

| (€ '000s) | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Employee expenses | | | |
| Wages and salaries | 1,857 | 1,806 | 3,843 |
| Post-employment benefit expenses | 178 | 179 | 379 |
| Other expenses | 767 | 775 | 1,684 |
| **Total Employee expenses** | **2,802** | **2,761** | **5,906** |
| Operating expenses | | | |
| Taxes and duties | 1,230 | 604 | 705 |
| External services | 2,645 | 2,438 | 4,677 |
| **Total Administrative expenses** | **3,875** | **3,042** | **5,381** |
| Charge-backs and reclassification of administrative expenses | (77) | (79) | (150) |
| **Total General operating expenses** | **6,601** | **5,724** | **11,137** |

**Note 20 - COST OF RISK**

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Net charge to provisions | (392) | (275) | (92) |
| *for financial assets at fair value through other comprehensive income* | *(222)* | *(256)* | *(79)* |
| *for financial assets at amortized cost* | *(170)* | *(18)* | *(13)* |
| Net charge to provisions | 1 | 2 | (3) |
| *for financing commitments* | *1* | *2* | *(3)* |
| *for guarantee commitments* | | | |
| Irrecoverable loans written off not covered by provisions | | | |
| Recoveries of bad debts written off | | | |
| **Total Cost of risk** | **(391)** | **(273)** | **(95)** |

**Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS**

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Gains on sales of Investment securities | | | |
| Gains on sales of tangible or intangible assets | | | |
| Reversal of impairment | | | |
| **Total Gains on other assets** | **-** | **-** | **-** |
| Losses on sales of Investment securities | | | |
| Losses on sales of tangible or intangible assets | | | (0.01) |
| Charge of impairment | | | |
| **Total Losses on other assets** | **-** | **-** | **(0.01)** |

**Note 22 - INCOME TAX**

| *(€ '000s)* | 30/06/2022 | 30/06/2021 | 31/12/2021 |
|---|---|---|---|
| Expense and income of current tax | | 1 | 1 |
| Expense and income of differed tax | (589) | (198) | (28) |
| Ajustement on previous period | | | |
| **Total Income tax** | **(589)** | **(197)** | **(27)** |

## 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:**

| | 30/06/2022 | | | |
|---|---|---|---|---|
| | Total | Measured using | | |
| *(€ '000s)* | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Financial assets at fair value through profit or loss** | **20,205** | - | 20,205 | - |
| **Hedging derivative instruments** | **655,689** | - | 655,689 | - |
| Government paper and similar securities | 723,374 | 723,374 | - | - |
| Bonds | 153,594 | 86,836 | - | 66,758 |
| Other fixed income securities | - | - | - | - |
| **Total Financial assets at fair value through other comprehensive income** | **876,968** | **810,211** | **-** | **66,758** |
| **Total Financial assets** | **1,552,863** | **810,211** | **675,894** | **66,758** |
| **Financial liabilities** | | | | |
| **Financial liabilities at fair value through profit or loss** | **20,134** | - | 20,134 | - |
| **Hedging derivative instruments** | **695,017** | - | 695,017 | - |
| **Total Financial liabilities** | **715,151** | **-** | **715,151** | **-** |

**Fair values of instruments carried at amortised cost:**

| | 30/06/2022 | | | | |
|---|---|---|---|---|---|
| | Net Carrying value | Fair value | Measured using | | |
| *(€ '000s)* | | | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| **Cash, central banks and issuing institutions** | **748,956** | **748,956** | - | - | 748,956 |
| Government paper and similar securities | 246,997 | 245,816 | 169,130 | - | 76,686 |
| Bonds | 11,681 | 11,433 | 11,433 | - | - |
| Other fixed income securities | - | - | - | - | - |
| **Total Securities at amortized cost** | **258,678** | **257,250** | 180,564 | - | 76,686 |
| **Loans and receivables due from credit institutions** | **340,203** | 340,203 | - | - | 340,203 |
| **Loans and advances to customers (*)** | **4,166,899** | 4,166,899 | - | - | 4,166,899 |
| **Total Financial assets** | **5,514,736** | **5,513,308** | **180,564** | **-** | **5,332,744** |
| **Financial liabilities** | | | | | |
| **Debt securities** | **6,111,221** | 6,191,447 | 5,103,742 | 858,128 | 229,577 |
| **Total Financial liabilities** | **6,111,221** | **6,191,447** | **5,103,742** | **858,128** | **229,577** |

(*) 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 2022 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 30/06/2022 |
|---|---|---|---|---|
| Cash, central banks | 748,999 | | (43) | **748,956** |
| Financial assets at fair value through profit or loss | 20,205 | | | **20,205** |
| Hedging derivative instruments | 655,689 | | | **655,689** |
| Financial assets at fair value through other comprehensive income | 876,968 | | | **876,968** |
| Securities at amortized cost | 258,935 | | (257) | **258,678** |
| Loans and receivables due from credit institutions | 340,271 | | (68) | **340,203** |
| Loans and advances to customers | 4,235,290 | 3,999 | (210) | **4,239,080** |
| Revaluation adjustment on interest rate hedged portfolios | | | | **-** |
| Current tax assets | | | | **-** |
| Other assets | 369 | | | **369** |
| **Sub-total Assets** | **7,136,727** | **3,999** | **(578)** | **7,140,148** |
| Financing commitments given | 396,749 | | | **396,749** |
| **TOTAL Credit risk exposure** | **7,533,476** | **3,999** | **(578)** | **7,536,897** |

**Exposure analysis by counterparty**

| (€ '000s) | Total 30/06/2022 |
|---|---|
| Central banks | 748,956 |
| Local public sector | 5,335,602 |
| Credit institutions guaranteed by the EEA States | 185,577 |
| Credit institutions | 1,262,669 |
| Other financial corporations guaranteed by the EEA States | |
| Other financial corporations | |
| Non-financial corporations guaranteed by the EEA States | |
| Non-financial corporations | 4,094 |
| **Total Exposure by counterparty** | **7,536,897** |

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 30/06/2022 |
|---|---|
| France | 6,601,679 |
| Supranational | 311,232 |
| Canada | 157,916 |
| Netherlands | 81,045 |
| South Korea | 59,253 |
| Austria | 49,998 |
| Finland | 48,311 |
| New Zealand | 46,557 |
| Belgium | 45,461 |
| Switzerland | 41,364 |
| Sweden | 38,920 |
| Japan | 21,973 |
| Denmark | 11,885 |
| Poland | 11,825 |
| Germany | 9,478 |
| **Total Exposure by geographic area** | **7,536,897** |

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 30/06/2022 |
|---|---|---|---|---|---|---|---|---|
| **Cash, central banks** | 748,956 | | | | **748,956** | | | **748,956** |
| **Financial assets at fair value through profit or loss** | | 93 | 4,735 | 15,387 | **20,214** | **(8.7)** | | **20,205** |
| **Hedging derivative instruments** | 8,548 | 12,360 | 38,215 | 604,105 | **663,228** | **(7,540)** | | **655,689** |
| **Financial assets at fair value through other comprehensive income** | | | | | | | | |
| Government paper and similar securities | 79,372 | 92,031 | 352,951 | 242,031 | 766,386 | 2,855 | (45,866) | 723,374 |
| Bonds | 66,758 | | 59,925 | 31,664 | 158,346 | 356 | (5,109) | 153,594 |
| **Total Financial assets at fair value through other comprehensive inc** | **146,130** | **92,031** | **412,876** | **273,695** | **924,732** | **3,211** | **(50,975)** | **876,968** |
| **Securities at amortized cost** | | | | | | | | |
| Government paper and similar securities | | 34,501 | 122,310 | 105,684 | 262,495 | 1,120 | (16,618) | 246,997 |
| Bonds | 3,845 | | | 7,672 | 11,517 | 108 | 55 | 11,681 |
| **Total Securities at amortized cost** | **3,845** | **34,501** | **122,310** | **113,356** | **274,012** | **1,228** | **(16,562)** | **258,678** |
| **Loans and receivables due from credit institutions** | 224,683 | | 115,000 | | **339,683** | 520 | | **340,203** |
| **Loans and advances to customers** | 103,899 | 292,576 | 1,365,043 | 2,938,864 | **4,700,382** | **7,412** | **(468,714)** | **4,239,080** |
| **Revaluation adjustment on interest rate hedged portfolios** | | | | | | | | **-** |
| **Current tax assets** | | | | | | | | **-** |
| **Other assets** | 369 | | | | **369** | | | **369** |
| **TOTAL ASSETS** | | | | | | | | **7,140,148** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Central banks** | | | | | | **183** | | **183** |
| **Financial assets at fair value through profit or loss** | | 93 | 4,735 | 15,388 | **20,216** | **(82)** | | **20,134** |
| **Hedging derivative instruments** | 3,444 | 3,751 | 87,234 | 603,855 | **698,283** | **(3,266)** | | **695,017** |
| **Debt securities** | 229,242 | 845,010 | 1,707,603 | 3,938,897 | **6,720,751** | **6,136** | **(615,666)** | **6,111,221** |
| **Due to credit institutions** | 64,013 | | | | **64,013** | | | **64,013** |
| **Revaluation adjustment on interest rate hedged portfolios** | | | | | | | **72,180** | **72,180.49** |
| **Other liabilities** | 2,667 | | | | **2,667** | | | **2,667** |
| **TOTAL LIABILITIES** | | | | | | | | **6,965,416** |

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 2022 are described into the financial report as at 30th June 2022.

# 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, 2022
Agence France Locale S.A.
112, rue Garibaldi 69006 Lyon

*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.**

Registered office: 112, rue Garibaldi 69006 Lyon
Share capital: €.203 000 000

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

For the six-month period ended June 30, 2022

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, 2022 to June 30, 2022.

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, 2022 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 28 September 2022 | Paris, on the 28 September 2022 |
| KPMG S.A. | Cailliau Dedouit et Associés |
| Xavier de Coninck<br>*Partner* | Sandrine Le Mao<br>*Partner* |

## GENERAL PROVISIONS

The information contained in this document concerns Agence France Locale - Société Territoriale (LEI: 9695002K2HDLD20JU790) at the consolidated level as of June 30, 2022. 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 | 183,891,641 | 178,492,761 | 179,953,457 | 171,607,457 | 172,345,533 |
| 2 | Tier 1 capital | 183,891,641 | 178,492,761 | 179,953,457 | 171,607,457 | 172,345,533 |
| 3 | Total capital | 183,891,641 | 178,492,761 | 179,953,457 | 171,607,457 | 172,345,533 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 1,134,143,541 | 1,115,329,878 | 1,143,664,940 | 1,016,668,010 | 975,778,055 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16.21% | 16.00% | 15.73% | 16.88% | 17.66% |
| 6 | Tier 1 ratio (%) | 16.21% | 16.00% | 15.73% | 16.88% | 17.66% |
| 7 | Total capital ratio (%) | 16.21% | 16.00% | 15.73% | 16.88% | 17.66% |
| | **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | |
| 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) | 1.25% | 1.25% | 1.25% | 2.50% | 2.50% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 0.00% | 0.00% | 0.00% | 0.00% | 2.50% |
| 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 (%) | | | | | |
| EU 9a | Systemic risk buffer (%) | | | | | |
| 10 | Global Systemically Important Institution buffer (%) | | | | | |
| EU 10a | Other Systemically Important Institution buffer (%) | | | | | |
| 11 | Combined buffer requirement (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| EU 11a | Overall capital requirements (%) | 11.75% | 11.75% | 11.75% | 11.75% | 11.75% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 0.00% | 0.00% | 0.00% | 5214896547.38% | 5769161114.76% |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 2,310,992,842 | 2,398,450,245 | 2,471,354,246 | 2,588,453,844 | 2,430,894,726 |
| 14 | Leverage ratio (%) | 7.96% | 7.44% | 7.28% | 6.63% | 7.09% |
| | **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 (%) | - | - | - | - | - |
| | **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 (%) | - | - | - | - | - |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 1,624,636,843 | 1,809,459,723 | 1,948,665,180 | 2,041,672,204 | 1,916,429,154 |
| EU 16a | Cash outflows - Total weighted value | 202,571,799 | 147,928,138 | 240,753,491 | 235,469,681 | 253,744,580 |
| EU 16b | Cash inflows - Total weighted value | 80,067,500 | 47,540,754 | 31,003,291 | 19,328,114 | 19,061,439 |
| 16 | Total net cash outflows (adjusted value) | 122,504,299 | 100,387,384 | 209,750,200 | 216,141,568 | 234,683,142 |
| 17 | Liquidity coverage ratio (%) | 1326% | 1802% | 929% | 945% | 817% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 6,248,125,221 | 6,167,941,036.67 | 5,783,755,492.42 | 5,454,938,792.10 | 5,711,330,802.26 |
| 19 | Total required stable funding | 3,312,392,343 | 3,162,558,663.89 | 3,223,231,689.39 | 2,727,649,730.35 | 2,711,266,978.19 |
| 20 | NSFR ratio (%) | 189% | 195% | 179% | 200% | 211% |

## 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 Chairman of the Management Board