

# Rating On Agence France Locale's Additional Tier 1 Capital Notes Lowered To 'BBB' From 'BBB+' On Regulatory Recognition

December 10, 2025

PARIS (S&P Global Ratings) Dec. 10, 2025--S&P Global Ratings today lowered to 'BBB' from 'BBB+' its long-term issue rating on the additional Tier 1 notes (AT1) issued by French public sector lender Agence France Locale (AFL; A+/Stable/A-1).

On Dec. 8, 2025, AFL announced it had waived the benefit of the Article 7 derogation of the Capital Requirements Regulation (CRR), whereby prudential supervision only occurred at the consolidated group level rather than at the AFL level. Under this derogation, the AT1 notes issued by AFL's operating company in December 2024, despite meeting typical AT1 characteristics, were not recognized by the French regulator as regulatory capital on a consolidated basis.

We expect the decision to waive the derogation to be irrevocable and the recognition by the French Prudential Supervision and Resolution Authority (ACPR) to be effective from Dec. 31, 2025, with AFL then being subject to direct supervision by ACPR, and the notes being recognized as additional Tier 1 capital.

The issue rating on AFL's additional Tier 1 notes is now four notches lower than our 'A+' long-term issuer credit rating on AFL, reflecting:

- One notch for the notes' contractual subordination;
- Two notches for Tier 1 regulatory capital status; and
- One notch because the notes' documentation contains a contractual write-down clause.

We also expect the recognition of the AT1 notes to further bolster AFL's capital position, which we already assess as very strong. In accordance with our criteria for hybrid capital instruments (see "[General Criteria: Hybrid Capital: Methodology And Assumptions](#)," Oct. 13, 2025), we now include the equity content of the AT1 in our capital adequacy assessment as the instrument meets the conditions for intermediate equity content. The notes are perpetual and have a first reset date on Dec. 17, 2031. The notes do not contain a coupon step-up and would be able to absorb losses or conserve cash, if needed, through write-down and discretionary coupon cancellation, without causing the bank to default.

## Related Criteria

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- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Governments | International Public Finance: Methodology For Rating Non-U.S. Public-Sector Funding Agencies](#), July 26, 2024
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [French Public Sector Lender Agence France Locale 'A+/A-1' Ratings Affirmed; Outlook Stable](#), Nov. 28, 2025
- [Agence France Locale Ratings Lowered To 'A+/A-1' From 'AA-/A-1+' Following A Similar Action On France; Outlook Stable](#), Oct. 21, 2025
- [France Ratings Lowered To 'A+/A-1' From 'AA-/A-1+' On Heightened Risks To Budgetary Consolidation; Outlook Stable](#), Oct. 17, 2025
- [Institutional Framework Assessment: French Departments Remain Vulnerable To Economic Cycles](#), April 22, 2025
- [Agence France Locale's Proposed Additional Tier 1 Capital Notes Rated 'A-'](#), Dec. 2, 2024
- [French Public Sector Lender Agence France Locale 'AA-/A-1+' Ratings Affirmed; Outlook Stable](#), Nov. 4, 2024
- [Institutional Framework Assessment: French Regions](#), July 29, 2024
- [Institutional Framework Assessment: French Cities, Intercities, And Municipal Syndicates](#), April 10, 2024

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