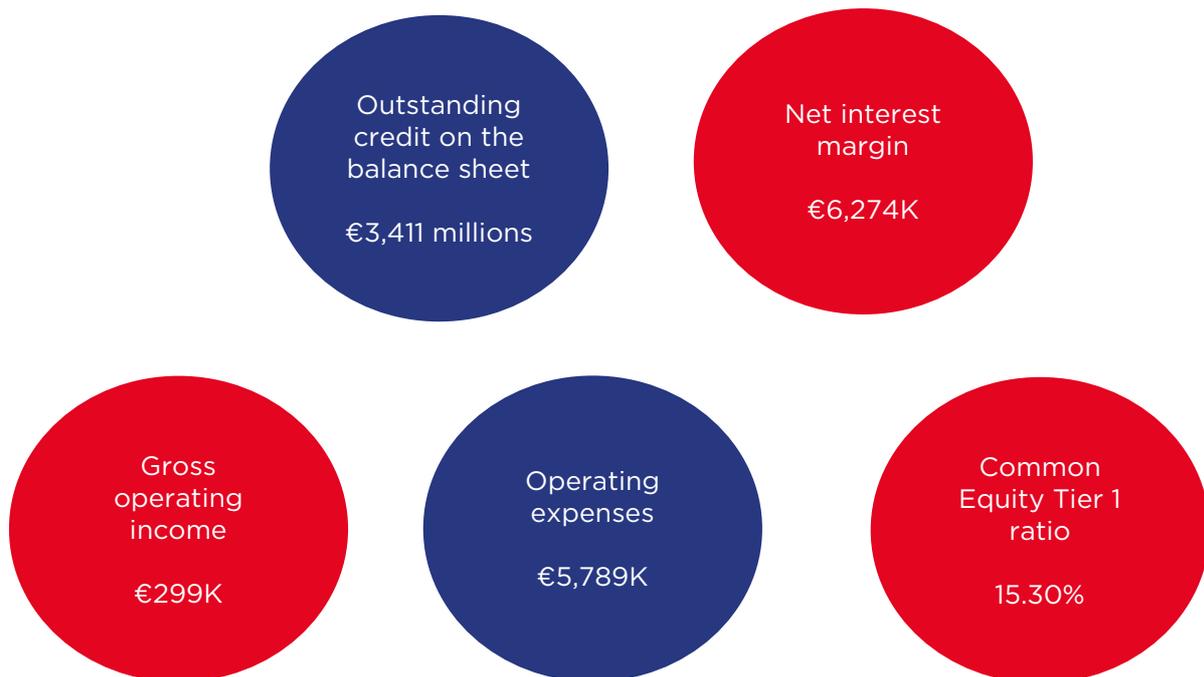


At the end of the first half of 2020, AFL reached a major stage in its construction when it reported a gross operating income at breakeven

With today's publication of its half-yearly report, AFL highlights the success of its growth with a strong rise of the net interest margin at €6,274 thousand and a gross operating income of €299 thousand. This financial result is a demonstration of the model robustness to successfully weather the crisis while supporting its customers.

Key figures:



- In January 2020 AFL disclosed its Sustainability Bond Framework
- On 28 May 2020, the shareholders of AFL-ST adopted a corporate purpose
- On 12 May 2020, a central government decree that was published to implement the Law Engagement and Proximity dated of December 27, 2019, broadens the shareholder base of AFL-ST to groupings of local authorities and local public institutions



At June 30, 2020, entering its sixth year of operations, AFL successfully continues implementation of its 2017-2021 strategic plan on three levels:

- Achieving breakeven through the generation of income from its core business;
- Continued strengthening of equity capital with new member local authorities, that has been facilitating by the broadening of the shareholder base to groupings of local authorities and local public entities since the publication of the central government decree on 12 May 2020 that implements the law engagement and proximity of 27 December 2019, enabling AFL to welcome its first local public entity, the Syndicat intercommunal des Eaux de l'Euron Mortagne ;
- A steady diversified increase in credit production for member local authorities;

Two new capital increases were made during the first half of 2020:

- 17 local authorities of all categories, spread across the whole country, joined AFL Group, increasing the total number of shareholders to 369 at June 30, 2020 (of which 3 regions, 8 départements et 12 métropoles), helping to continuously strengthen it and increasing visibility;
- At June 30, 2020, AFL's paid-up capital amounted to €151 million and that of AFL-ST amounted to €159 million with a committed capital of €181.3 million;
- While all categories of local authorities are represented among the AFL Group members, municipalities make up a very large percentage, nearly 80% of the paid-up capital.

Member local authorities of AFL Group by category at June 30, 2020

<i>Données en milliers d'euro</i>	Nombre	Capital promis	Capital libéré	Pouvoirs de vote
Région	3	25 979	15 239	9,66%
Département	8	25 630	18 546	11,75%
Commune	277	49 358	46 381	29,39%
EPCI	81	80 323	78 825	49,95%
<i>dont Métropole</i>	12	64 080	64 080	40,61%
Etablissement Public Territorial	4	4 292	3 582	2,27%
Communauté Urbaine	5	3 546	3 467	2,20%
Communauté d'Agglomération	22	7 083	6 358	4,08%
Communauté de Communes	38	1 381	1 338	0,85%
TOTAL	369	181 290	158 992	100%

Increase in capital contribution:

On June 30, 2020, the Board of Directors of AFL-ST approved an increase in the amount of the initial capital contribution for new members, which, from January 1, 2021 will increase to 0.9% of its outstanding debt or 0.30% of its actual operating revenues, for each new member.



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During the first half of 2020, in an environment marked by the Covid-19 pandemic, the amount of medium- and long-term loans granted by AFL continued to grow to €248 million compared with the amount recorded during the first half of 2019, that totaled €166 million:

- In addition to medium- and long-term loans, €53 million in cash lines were granted;
- AFL's cumulative medium- and long-term credit production has amounted to €3,665 million since the beginning of its activities;
- Outstanding loans signed with member local authorities amounted to €3,692 million as at June 30, 2020.

AFL continued its bond issues during the period by raising €260 million on the bond market through several long-term issues, including in April when markets were deeply impacted by the crisis:

- Four contributions to existing issues denominated in euros and in foreign currencies were made during the period: one transaction denominated in Australian dollars amounting to AUD 65 million, or the equivalent of €40.2 million, adding to an existing 2030 issue, a second transaction in the amount of €100 million, adding to the issue in euros maturing in June 2026, and two transactions with a value of €60 million each, adding to the issue in euros maturing in June 2028.
- These resources, raised at a weighted average margin of 27.6 basis points above the OAT curve, have a weighted average maturity of 7.5 years, thus contributing to a good match between uses and resources on the balance sheet.

Establishment of a sustainable bond issuance system:

In January 2020, AFL implemented a sustainable bond issuance plan to contribute to sustainable development funding, to which local authorities members of Société Territoriale are highly committed, while at the same time responding to a strong demand from investors for transparency of the assets financed by AFL. This sustainable bond plan, which complies with the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines developed and promoted by the International Capital Markets Association (ICMA), was reviewed by Vigéo, a non-financial rating agency that, on January 9, 2020, issued a favorable opinion on AFL's commitments and the contribution of its framework document to sustainable development.

On July 13, 2020, AFL issued its first sustainable bond for €500 million.

Adoption of a corporate purpose:



In line with the provisions of the Pacte Law and based on its member authorities' desire for strong policies, starting in late 2019, AFL launched an initiative to reaffirm its identity in the local authority financing landscape. This collective approach directly involving all of its stakeholders including local authorities, employees, representatives of shareholder groups, partners and suppliers, led to the adoption of a corporate purpose on May 28, 2020 by the AFL-ST General Meeting of Shareholders and its inclusion in the AFL-ST Articles of Association.

During the first half of the year, AFL's rating was confirmed at Aa3 by Moody's and AA- by Standard & Poor's:

- At June 30, 2020, AFL's credit ratings were as follows:

	Moody's	Standard & Poor's
Long-term rating	Aa3	AA-
Outlook	Stable	Stable
Short-term rating	P-1	A-1+
Last Credit Opinion Date	April 27, 2020	May 27, 2020

- AFL's very high rating by both Moody's and Standard & Poor's enables it to pursue its mission to provide local shareholders with loans in the best possible conditions.

The net interest margin increased to €6,274 thousand, compared with €4,639 thousand as at June 30, 2019, linked to the increase in outstanding loans:

- Net banking income for the first half of 2020 increase by 23% at €6,088 compared with €4,936 thousand in the first half of 2019, a period characterized by non-recurring revenues. Capital gains from the sale of securities amounted to €409 thousand as at 30 June 2019 compared to €83 thousand as at June 30, 2020;
- Operating expenses are under control at €4,918 thousand versus €4,887 thousand as at June 30, 2019;
- Depreciation and amortization for the period amounted to €871 thousand compared with €1,146 thousand for the first half of 2019;
- Revenues generated by the activity, excluding extraordinary income, now cover all operating expenses and generate a positive gross operating income of €299 thousand under IFRS;
- Net income stood at -€24 thousand after taking into account the cost of risk relating to ex-ante impairments under IFRS 9. The cost of risk increases up to €453 thousand due to the change in macroeconomic scenario weightings related to the pandemic, as well as net losses on other assets and deferred tax assets.



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The soundness of AFL's financial structure is underscored by the equity ratios, on a consolidated basis:

- Solvency ratio: 15.30%.
- Leverage ratio (CRR2), calculated using the methodology applicable to public development credit institutions: 9.46%.
(It should be noted that AFL is in the process of obtaining public development credit institution status).
- Leverage ratio (CRR): 2.80%.

AFL Group has a robust financial structure with IFRS equity capital reaching €134.1 million at June 30, 2020, compared with €131.5 million at December 31, 2019, for share capital of €159 million. Given the quality of the Group's exposures, the Basel III solvency ratio based on the standard method (Common Equity Tier 1) stands at 15.30%, taking into account the CRR Quick Fix measures, compared with 15.78% at December 31, 2019, and the leverage ratio was 9.46% compared with 11.98% at December 31, 2019, in the event that AFL is eligible for the status of a public development credit institution. The bank leverage ratio stands at 2.80% at June 30, 2020 compared with 2.78% at December 31, 2019.

In addition to a high level of capitalization, a very comfortable liquidity position allows AFL to continue its operational activities and withstand a liquidity shock. At June 30, 2020, the LCR ratio is 626% compared with 428% at December 31, 2019, and the NSFR ratio is 197% compared with 186% at December 31, 2019. The liquidity reserve that is available amounts to €1 297 million, that is more than a year of operational needs.

AFL Group outlook

The Covid-19 pandemic, which began ravaging the global economy and financial markets in March 2020, has severely disrupted the world economy. However concerted actions by central banks, national governments and the European Union have so far led to a recovery in activity and a normalization of markets.

The main objective of AFL Group is always to maintain the rapid pace of new memberships of local authorities. This has made it possible to rapidly accept groups of local and regional authorities and local public institutions, starting with a category of grouping of local authorities. Indeed, since AFL-ST's General Meeting of Shareholders on May 28, 2020, the latter are eligible to join AFL Group under the provisions of the Law of December 27, 2019, the Engagement and Proximity Law, that has broaden the scope of entities eligible for AFL Group membership, and its implementing decree of May 11, 2020.

This expansion should facilitate the continued strengthening of the AFL Group's capital, thereby promoting the growth of its activities and facilitating the achievement of the objectives set out in the 2017-2021 strategic plan.



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AFL, a bank dedicated to local authorities, has found its true calling in this difficult environment because of its high resiliency, shown by the continuation of all its operational activities including continuity of access to liquidity under good conditions in the crisis.

It is reasonably anticipated that the size and solidity of the AFL Group's balance sheet should continue to grow rapidly, with the continued production of credits and new capital increases in the second half of 2020 and the 2021 financial year.

Significant events since the balance sheet date

On September 25, 2020, AFL-ST's Board of Directors launched a 26th capital increase for a total nominal amount of €5,587,700 (five million five hundred and eighty-seven thousand seven hundred euros) and, at the same time, AFL launched its 26th capital increase for a total nominal amount of €5,500,000.

Forecasts

In a press release published on June 10, 2020, AFL suspended its forecasts in view of the health crisis and its economic and financial consequences, while specifying that no major impact on its results was expected for the first half of 2020 to the extent that, given a stable level of expenses, its results come mainly from the interest, net of hedging, generated by the outstanding loans on the Company's balance sheet.

In addition, AFL considers that the set of measures that have been taken at both the French governmental and European Union levels will enable it to once again forecast its results for 2020 and 2021 on the basis of realistic and cautious assumptions. However, in the current environment characterized by uncertainties and volatility, no commitment can be made regarding the attainment of these forecasts, that is likely to be affected by known and unknown endogenous and exogenous factors, over which AFL does not necessarily have control.

(i) Forecasts on the main balance sheet items 2020-2021 (in € million):

	2020	2021
Loans and advances to customers	3,589	4,193
Liquidity reserve ¹	1,185	1,544
Debt securities issued	4,732	5,695
Equity capital (including the results for the financial year)	137	149

(ii) Components of results calculation, 2020-2021 projections (in € million)

	2020	2021
Net banking income	11,585	13,019

¹ This line corresponds to part of the proceeds of the debt issued by AFL, whose purpose is to fund its liquidity reserve to meet prudential requirements and its operating needs.



Operating expenses	11,362	10,914
Gross operating income	223	2,105

AFL Group consolidated income under IFRS

The first half of 2020 marks a further increase in net banking income generated by the lending activity, in line with the Group's development path according to the 2017-2021 strategic plan. The net banking income generated by the activity amounted to €6,109 thousand. This corresponds to a net margin of interest of €6,299 thousand, net gains on disposals of shares at fair value by OCI of €83 thousand after taking into account the result of termination of hedging relations related to the management of the liquidity reserve, commission income of €8 thousand and a negative result from hedge revaluations of -€281 thousand.

These results should be compared to those of the first half of 2019, at the end of which the net banking income amounted to €4,956 thousand, mainly corresponding to a net interest margin of €4,663 thousand, capital gains on investment securities of €409 thousand, commission income of €14 thousand and a negative result from hedge revaluations of -€103 thousand.

The interest margin of €6,299 thousand as at June 30, 2020 comes from three items:

- Income of €3,741 thousand from the loan portfolio once restated for their hedges;
- Negative income of -€1,581 thousand linked to management of the liquidity reserve, in a context of ongoing deep negative interest rates during the period; and
- Interest income on debt and collateral in the amount of €4,139 thousand, after taking into account interest on hedges.

During the first half year of 2020, portfolio management of the liquidity reserve generated income of €425 thousand on sales of investment securities and losses of -€342 thousand due to the cancellation of interest rate hedging instruments on securities that were sold, i.e. net gains on disposals of €83 thousand, which breaks down into -€207 thousand in losses on disposals and €290 thousand of gains on disposals.

Net income from hedge accounting comes from two items. First of all, it comes from the sale of interest rate hedging of fixed-income securities for -€342 thousand and secondly -€281 thousand which represents, for instruments still in portfolio at the reporting date, the sum related to unrealized valuation differences between hedged items and hedging instruments. Among these differences, €882 thousand is due to valuation differences on interest rate hedge instruments classified as macro-hedges and -€867 thousand due to valuation differences on euro-denominated interest rate hedge instruments classified as micro-hedges. As a hedging ineffectiveness, there are still unrealized differences in valuations between the hedged items and the hedging instruments, one of whose components comes from a market practice that results in a valuation asymmetry



between hedging instruments collateralized daily and discounted on an Eonia curve and hedged items discounted on a Euribor curve. However, it should be noted that this corresponds to latent income.

At June 30, 2020, general operating expenses amounted to €4,971 thousand compared with €4,871 thousand as at June 30, 2019. These include €2,607 thousand in personnel costs compared with €2,497 thousand for the first half of the previous financial year. General operating expenses also include administrative expenses, that amounted to €2,364 thousand compared with €2,374 thousand as at June 30, 2019.

Depreciation and amortization at June 30, 2020 amounted to €838 thousand, compared with €1,180 thousand at June 30, 2019, a decrease of €342 thousand, corresponding to the end of the amortization of the first tranche of the information system.

After depreciation and amortization, gross operating income at June 30, 2020 stands at €300 thousand compared with -€1,095 thousand for the first half of the previous period.

The cost of risk relating to ex ante impairments (expected credit losses - ECL) on financial assets under IFRS 9 is a negative -€455 thousand for the first half of 2020, reflecting an increase in impairments. Given the nature of the assets carried on AFL's balance sheet, the increase in impairments stems from the effects of the health crisis and changes in the assumptions used to build macroeconomic scenarios by asset class.

After allocation of the cost of risk under IFRS 9, operating income at June 30, 2020 amounted to -€155 thousand, compared with -€1,102 thousand at June 30, 2019.

Finally, after the scrapping of €21 thousand in intangible assets and the activation of deferred tax on positive assets of €152 thousand linked to IFRS restatements, the first half of 2020 showed a net negative result of -€24 thousand compared with a loss of -€1,027 thousand for the first half of the previous fiscal year, a period that, as indicated above, was characterized by non-recurring gains of €409 thousand on the disposal of shares.



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Income statement as at June 30, 2020 (in € million, consolidated IFRS)

(En milliers d'euros)	30/06/2020	30/06/2019	31/12/2019
Intérêts et produits assimilés	43 813	37 030	77 870
Intérêts et charges assimilées	(37 514)	(32 367)	(67 747)
Commissions (produits)	75	35	178
Commissions (charges)	(67)	(49)	(112)
Gains ou pertes nets sur instruments financiers à la juste valeur par résultat	(623)	(2 567)	(2 444)
Gains ou pertes nets sur instruments financiers à la juste valeur par capitaux propres	425	2 874	3 363
Produits des autres activités			
Charges des autres activités			
PRODUIT NET BANCAIRE	6 109	4 956	11 106
Charges générales d'exploitation	(4 971)	(4 871)	(9 320)
Dotations aux amortissements et aux dépréciations des immobilisations incorporelles et corporelles	(838)	(1 180)	(2 289)
RESULTAT BRUT D'EXPLOITATION	300	(1 095)	(503)
Coût du risque	(455)	(7)	5
RESULTAT D'EXPLOITATION	(155)	(1 102)	(498)
Gains ou pertes nets sur autres actifs	(21)		(461)
RESULTAT AVANT IMPÔT	(176)	(1 102)	(959)
Impôt sur les bénéfices	152	74	(227)
RESULTAT NET	(24)	(1 027)	(1 186)
Participations ne donnant pas le contrôle			
RESULTAT NET PART DU GROUPE	(24)	(1 027)	(1 186)
Résultat net de base par action (en euros)	(0,02)	(0,68)	(0,77)
Résultat dilué par action (en euros)	(0,02)	(0,68)	(0,77)



Balance sheet as at June 30, 2020 (in € million, consolidated IFRS)

Assets as at June 30, 2020

(En milliers d'euros)	30/06/2020	31/12/2019	31/12/2018
Caisse et banques centrales	448 057	165 604	121 650
Actifs financiers à la juste valeur par résultat	17 775	15 962	26 299
Instruments dérivés de couverture	179 899	130 957	44 661
Actifs financiers à la juste valeur par capitaux propres	518 012	535 900	502 487
Titres au coût amorti	194 838	139 718	179 501
Prêts et créances sur les établissements de crédit au coût amorti	229 826	190 830	111 217
Prêts et créances sur la clientèle au coût amorti	3 411 437	3 160 500	2 229 911
Écarts de réévaluation des portefeuilles couverts en taux	26 812	14 284	1 873
Actifs d'impôts courants	32	42	43
Actifs d'impôts différés	6 489	5 654	5 691
Comptes de régularisation et actifs divers	561	380	349
Immobilisations incorporelles	1 861	2 097	3 290
Immobilisations corporelles	2 682	2 633	2 514
Écarts d'acquisition			
TOTAL DE L'ACTIF	5 038 281	4 364 561	3 229 487

Liabilities as at June 30, 2020

(En milliers d'euros)	30/06/2020	31/12/2019	31/12/2018
Banques centrales	127	26	755
Passifs financiers à la juste valeur par résultat	17 823	15 476	26 747
Instruments dérivés de couverture	263 953	173 597	78 300
Dettes représentées par un titre	4 618 004	4 036 974	2 996 909
Dettes envers les établissements de crédits et assimilés	1 587	4 236	9
Dettes envers la clientèle			
Écart de réévaluation des portefeuilles couverts en taux			
Passifs d'impôts courants			
Passifs d'impôts différés		18	
Comptes de régularisation et passifs divers	2 531	2 465	2 260
Provisions	193	278	23
Capitaux propres	134 064	131 490	124 485
Capitaux propres part du groupe	134 064	131 490	124 485
Capital et réserves liées	158 992	154 460	145 905
Réserves consolidées	(21 404)	(20 218)	(18 305)
Écart de réévaluation			
Gains et pertes comptabilisés directement en capitaux propres	(3 499)	(1 566)	(1 411)
Résultat de l'exercice (+/-)	(24)	(1 186)	(1 705)
Participations ne donnant pas le contrôle			
TOTAL DU PASSIF	5 038 281	4 364 561	3 229 487

The AFL Management Board approved the AFL half-yearly financial statements on September 7, 2020. The AFL Supervisory Board meeting of September 28, 2020, reviewed and approved the AFL half-yearly financial statements.

The Board of Directors of AFL-ST (Société Territoriale), meeting of September 28, 2020, approved the Group's half-yearly consolidated financial statements.



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The limited review procedures on the condensed half-yearly parent company and consolidated financial statements for the period from January 1, 2020 to June 30, 2020 were carried out by the Statutory Auditors and the reports are available here: <http://www.agence-france-locale.fr/afls-2020-half-year-results-gross-operating-income-breakeven>

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

The financial information of AFL Group for the first half of 2020 is composed of this press release, supplemented by the financial report available at <http://www.agence-france-locale.fr/afls-2020-half-year-results-gross-operating-income-breakeven>

About Agence France Locale

Agence France Locale is the unique French bank 100% owned by local authorities and dedicated to their financing.

Created in 2013 on the initiative of associations of elected representatives and pioneering local authorities, on the Northern European LGFA (local government funding agencies) model, AFL was granted a banking license in 2015 by the ACPR, the French prudential supervisory authority. Its mission is to facilitate local authorities' access to capital markets, based on their credit quality to raise funds from investors in attractive conditions. AFL redistributes these funds to its shareholders in the form of traditional bank loans: municipalities of all sizes, EPCIs (public inter-municipality cooperation establishments) with their own taxes, territorial public entities, regions and departments in metropolitan France and the overseas territories, and syndicates.

Pursuant to Article 67 of French law 2019-1461 of December 27, 2019 (the "Engagement and Proximity Law"), that amends the provisions of Article 1611-3-2 of the General Local Authorities Code (CGCT), upon which AFL Group is founded, all groupings of local and public institutional authorities may subscribe for AFL-ST capital. An implementing decree dated May 20, 2020, sets the conditions under which all entities referred to in Article 1611-3-2 of the CGCT may become shareholders of the Group AFL's parent company.

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

