

# First half-year 2024: Business continued to grow at a sustained pace, delivering positive earnings

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The AFL Group has unveiled its earnings for H1 2024. Highlights include:

- New memberships expressed as pledged capital are up €21.5 million in H1 2024 - as much as during the full year in 2023.
- Credit origination hit a new record high after growing 18% in H1 2024 compared to H1 2023.
- Half-year earnings, excluding non-recurring items, rose 16% between 2023 and 2024.
- Changes to local authority risk weightings, down from 20% to 0%, allow the debt securities issued by AFL to be classified as HQLA1 (decision by ACPR in June 2024).

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## Consolidated earnings - key figures at June 30, 2024:

**Member local authorities: 878** (+102 local authorities vs. 31/12/2023)

**Pledged capital: 315** million euros (+21.5 million vs. 31/12/2023)

**Loan production: 622** billion euros (+18% vs. 30/06/2023)

**Funds raised in the market: 1,400** million euros (part of a 2,500-million-euro programme) with a 39-basis point margin over the OAT yield curve.

**Net interest margin: 11.6** billion euros (-10.5% vs. 30/06/2023)

**Gross operating income: 2.9** billion euros (-25% vs. June 30, 2023)

**Net income after tax: 1.96** billion euros (-31% vs. June 30, 2023)

**Cost/income ratio: 73.1%** (vs. 67.4% as of December 31, 2023)

**Solvency ratio: 77.7%** (vs. 13.23% as of December 31, 2023)

**Leverage ratio for public development lending institutions: 9.69%** (vs. 8.86% as of December 31, 2023)

**Banking leverage ratio<sup>1</sup>: 2.42%** (vs. 2.24% as of December 31, 2023)

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<sup>1</sup>The decree of July 15, 2024 amending the Code Général des Collectivités Territoriales (French Law for Regional and Local Authorities) states that local authorities wishing to become members of AFL



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## Record increase in lending activity and in the number of new local authority memberships

### Record credit origination

During H1 2024, AFL granted **loans of 622 million euros** to its local authority members, 18% more than as of June 2023. This trend is being observed as demand for debt remains high, fuelled by the need to fund mid-term projects and address major challenges posed by the environmental and climate transition.

#### Key take-aways:

##### **622 million euros**

Credit origination in the first half of 2024.

##### **9.5 billion euros**

Cumulated credit origination since AFL was created in 2015.

### Over 100 new local authority members

Buoyed by this lending momentum and its increasingly strong reputation, AFL registered **102 new local authority memberships**, thereby bringing its total members to **878** at 30 June, 2024.

These new members are: 3 departments, 5 unions, 2 communities of communes, 5 urban communities and 87 municipalities of various sizes. Overall, AFL Group members include a total of 6 regions, 17 French departments, 669 municipalities and 186 EPCIs (groupings of municipalities) including 15 cities and 50 unions.

This represents an additional capital commitment of **21.5 million euros**, voted in H1 2024, bringing the total to **315 million euros**.

#### Key take-aways:

##### **878**

The number of local authority members at 30/06/2024.

##### **315 million euros**

The total amount of pledged capital voted by the members local authorities as of June 30, 2024.

### Efficient refinancing that stands out for the continued diversification of issuances

In H1 2024, AFL raised **1.4 billion euros** in the bond market with a weighted average maturity of **7.8 years**:

- A syndicated bond issue of **750 million euros** with a 10-year maturity;
- The first syndicated issuance in Swiss francs for a total **110 million**, with a 10-year maturity;
- A new 3-year syndicated bond issuance in sterling for a total **250 million**;

#### Key take-aways:

##### **1.4 billion euros**

The amount raised over the mid and long term by AFL as of 30/06/2024.

must ensure that the risk appetite framework set by the banking institution includes a minimum equity capital threshold of at least 1.7 % of total exposure.



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- Several Euro-denominated private placements including six “callable” deals (pre-determined term) for a total **221 million euros**.

The weighted average spread on these issues was **39-basis points** over the *Obligations Assimilables du Trésor* (OAT) curve, a substantial improvement compared to the previous financial year (average of 49 basis points over OAT in 2023).

## Financial results are aligned with the business plan

### **Robust earnings (consolidated earnings under IFRS)**

At June 30, 2024, the AFL Group has generated the income needed to pursue its growth:

- **Net banking income (NBI)** came in at **€10,785 thousand** (€12,179 thousand as of 30/06/2023).
- **Net interest margin** for the AFL Group stood at **€11,586 thousand** (€12,940 thousand of 30/06/2024). This decline stems from the exceptional results recorded in the first half of 2023, boosted notably by the substantial drop in cash carrying costs after the ECB raised its deposit rate.
- **The gross operating income** stood at **€2,901 thousand** (€3,868 thousand as of 30/06/2023).
- **Excluding non-recurring items** (i.e. excluding income from capital gains on disposals of securities and hedge accounting), gross operating income was **€4,015 thousand** (€3,452 thousand in H2 2023).
- **Operating costs** during the period came to **€7,336 thousand** as of June 30, 2024 (€7,857 thousand as of 30/06/2023), reflecting AFL’s disciplined management and the end of the contribution to the Single Resolution Fund.
- **Net income** as of June 30, 2024, stood at **€1,954 thousand** (€2,840 thousand as of June 30, 2024).

### **Earnings that meet our expectations and confirm the resilience of AFL’s model**

*“The AFL Group’s results at the end of the first half of 2024 are in positive territory for the long term. They are in line with the forecast included in the budget for the year 2024 and the multi-annual business plan. They reflect the sustained growth of the bank’s core business: an accelerating rate of membership and historic credit production. With the 0% risk weighting of local authorities, the quality of the AFL signature in capital markets improves further and will allow it to strengthen its competitiveness in financing local public investment”, states Yves Millardet, Chairman of the Executive Board of AFL.*

### **The cost of risk is intrinsically low in AFL’s model**

**AFL’s cost of risk** is intrinsically limited due to its model as a public development credit institution, the company’s prudent management and the excellent solvency



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of local authorities. As an example, AFL has zero exposure to stage 3 (default status) assets.

At June 30, 2024, the **cost of risk relating to ex-ante impairment for expected losses** on financial assets under IFRS 9 was **a charge of €255 thousand** (compared with a charge of €71 thousand at 30/06/2023).

This rise in the cost of risk is mainly attributable to higher asset volumes, and to a lesser extent, to revisions made to the assumptions used for determining the economic scenarios by asset class, to account for the deterioration of macroeconomic and geo-strategic risks.

**The operating income** stands at **€2,645 thousand** (€3,797 thousand as of June 30, 2023). This led to a rise in the cost/income ratio to 73.1% (68.2% as of June 30, 2023). Relative to credit volumes, **operating expenses** account for **19 basis points; this is a 1 basis-point improvement compared to December 31, 2023**, confirming the efficiency of our model.

### **Financial strength**

The highlight event for AFL during the period was the ACPR (Supervision and Resolution Authority)'s decision on June 21, 2024 (and published on July 3, 2024) to change the credit risk weighting of exposures to French local authorities from **20% to 0%**. This decision is applicable to municipalities, departments, regions and EPCI (with specific tax status), and has generated a significant facial increase for the AFL Group's solvency ratio.

Furthermore, following its decision on June 21, 2024, the ACPR supervisory college announced that the debt issued by AFL would qualify as HQLA1 if the percentage of the credit granted by AFL to local authorities with 0% weightings is above 90% of its outstanding credit. Exposure to French local authorities with 0% weightings stands at 94.9% as of June 30, 2024 - which is largely above the minimum threshold of 90%.

- **The CET1 solvency ratio** (consolidated) stands at **77.7%** (13.23% at 31/12/2023);
- **The leverage ratio**, calculated using the methodology applicable to public development credit institutions, was **9.69%** (compared to 8.86% as of 31/12/2023 and for a regulatory limit of 3%);
- **The banking leverage ratio** stands at **2.42%** (2.24% as of 31/12/2023);
- **The liquidity coverage ratio (LCR)** stands at **622%**, above the regulatory limit of 100%;
- **The net stable funding ratio (NSFR)** stands at **171%**, above the regulatory threshold of 100%;
- **The 12-month internal liquidity ratio (NCRR)** came to **98%** at 30 June 2024, corresponding to a liquidity reserve of €2.1 billion. This will allow AFL to meet all its needs for almost 12 months without having to turn to the market.



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## Post-closing events

- Since the end of H1 2024, on July 18, 2024, AFL tapped its bond maturing on March 20, 2034, by €250 million with a narrower margin of 23 basis points over the OAT rate. This narrower margin stems from the HQLA1 classification of the debt issued by AFL (cf. ACPR decision explained above).
- As of August 31, 2024, AFL's medium- and long-term loan production was €831 million, confirming its steady and solid growth.
- A further capital increase was carried out by the Board of Directors of AFL-ST on September 25, 2024, to allow new local authorities to gain membership.
- On September 4, 2024, AFL published the credit ratings assigned by Fitch Ratings: AA- (stable outlook) for mid-and long-term debt and F1+ (stable outlook) for short-term debt. At the same time, for purposes of methodology, Moody's was asked to delete all ratings and assessments it had completed on AFL.
- To continue to support the growth momentum of its loan portfolio and to address demand from its members, while maintaining high levels of equity capital, AFL is looking into the possibility of issuing super subordinated debt in the near future, market conditions permitting.

### AFL credit rating at 25 September, 2024

	Fitch Ratings	Standard & Poor's
Long-term rating	AA-	AA-
Outlook	Stable	Stable
Short-term rating	F1+	A-1+

AFL's Management Board signed off on AFL's interim financial statements<sup>2</sup> for the first half of 2024 on September 10, 2024. At its meeting on September 25, 2024, chaired by Sacha Briand, AFL's Supervisory Board approved AFL's interim financial statements. At its meeting on September 25, 2024, chaired by Marie Ducamin, the Board of Directors of AFL-ST, the Société Territoriale (parent company), approved AFL Group's consolidated interim financial statements.

The Statutory Auditors conducted a limited review of the concise interim parent company and consolidated financial statements for the period from January 1, 2024 to June 30, 2024, and their reports are available at:  
<http://www.agence-france-locale.fr>

<sup>2</sup> During the first half of 2024, AFL purchased office space through its subsidiary Agence France Locale Foncière. This property will house AFL's headquarters from 2027.



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

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

<https://www.agence-france-locale.fr/actualite/first-half-year-2024-results/>

### About Agence France Locale

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

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

More information can be found on [www.afl-banque.fr](http://www.afl-banque.fr)



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