

Agence France Locale - Société Territoriale
Consolidated accounts (IFRS GAAP)

BALANCE SHEET

Assets as of June 30, 2019

(€ '000s)	Notes	30/06/2019	31/12/2018
Cash, central banks	5	413,476	121,650
Financial assets at fair value through profit or loss	1	28,586	26,299
Hedging derivative instruments	2	118,321	44,661
Financial assets at fair value through other comprehensive income	3	661,649	502,487
Securities at amortized cost	4	153,364	179,501
Loans and receivables due from credit institutions and similar items at amortized cost	5	193,876	111,217
Loans and receivables due from customers at amortized cost	6	2,502,043	2,229,911
Revaluation adjustment on interest rate risk-hedged portfolios		15,737	1,873
Current tax assets		42	43
Deferred tax assets	7	5,792	5,691
Accruals and other assets	8	623	349
Intangible assets	9	2,789	3,290
Property, plant and equipment	9	3,441	2,514
Goodwill			
TOTAL ASSETS		4,099,740	3,229,487

Liabilities as of June 30, 2019

(€ '000s)	Notes	30/06/2019	31/12/2018
Central banks		115	755
Financial liabilities at fair value through profit or loss	1	28,746	26,747
Hedging derivative instruments	2	180,370	78,300
Debt securities	10	3,756,713	2,996,909
Due to credit institutions		5	9
Due to customers			
Revaluation adjustment on interest rate hedged portfolios			
Current tax liabilities			
Deferred tax liabilities			
Accruals and other liabilities	11	4,177	2,260
Provisions	12	85	23
Equity		129,528	124,485
Equity, Group share		129,528	124,485
Share capital and reserves		151,906	145,905
Consolidated reserves		(20,218)	(18,305)
Reevaluation reserve			
Gains and losses recognised directly in equity		(1,132)	(1,411)
Profit (loss) for the period		(1,027)	(1,705)
Non-controlling interests			
TOTAL LIABILITIES		4,099,740	3,229,487

Income statement

(€ '000s)	Notes	30/06/2019	30/06/2018	31/12/2018
Interest and similar income	13	37,030	28,076	64,387
Interest and similar expenses	13	(32,367)	(24,173)	(56,534)
Fee & Commission Income	14	35	134	289
Fee & Commission Expense	14	(49)	(60)	(127)
Net gains (losses) on financial instruments at fair value through profit or loss	15	(2,567)	1,346	868
Net gains or losses on financial instruments at fair value through other comprehensive income	16	2,874	(26)	863
Income on other activities				
Expenses on other activities				
NET BANKING INCOME		4,956	5,297	9,745
Operating expenses	17	(4,871)	(4,689)	(9,054)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(1,180)	(975)	(1,995)
GROSS OPERATING INCOME		(1,095)	(368)	(1,304)
Cost of risk	18	(7)	(234)	(191)
OPERATING INCOME		(1,102)	(601)	(1,495)
Net gains and losses on other assets				
INCOME BEFORE TAX		(1,102)	(601)	(1,495)
Income tax	7	74	(166)	(209)
NET INCOME		(1,027)	(767)	(1,705)
Non-controlling interests				
NET INCOME GROUP SHARE		(1,027)	(767)	(1,705)
Basic earnings per share (in EUR)		(0.68)	(0.53)	(1.17)
Diluted earnings per share (in EUR)		(0.68)	(0.53)	(1.17)

Net income and other comprehensive income

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Net income	(1,027)	(767)	(1,705)
Items will be reclassified subsequently to profit or loss	278	(697)	(1,991)
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	366	(1,097)	(2,756)
Other items recognized through other comprehensive income recyclable to income			
Related taxes	(88)	400	765
Elements not recyclable in profit or loss	(9)	-	-
Revaluation in respect of defined benefit plans	(9)		
Other items recognized through other comprehensive income not recyclable to income			
Related taxes			
Total gains and losses recognized directly in equity	269	(697)	(1,991)
COMPREHENSIVE INCOME	(758)	(1,464)	(3,695)

Consolidated statement of changes in equity

	Capital	Associated reserves to capital	Consolidated reserves	Gains and losses recognized directly in comprehensive income				Net income, Group share	Shareholders' equity - Group share	Shareholders' equity, non-controlling interests	Total shareholders equity
				Recyclable		Not recyclable					
				Net change in fair value of Financial assets at fair value through other comprehensive income, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Revaluation in respect of defined benefit plans	Other items recognized through other comprehensive income not recyclable to income				
(€ '000s)											
Shareholders' equity at at 1 January 2018	138,500	-	(17,882)	580	-	-	-	(423)	120,775	-	120,775
Increase in share capital	7,405								7,405		7,405
Elimination of treasury shares											
Allocation of profit 2017			(423)					423			
Dividends 2017 paid											
Sub-total of changes linked to transactions with shareholders	7,405	-	(423)	-	-	-	-	423	7,405	-	7,405
Change in fair value through equity				(2,404)					(2,404)		(2,404)
Change in value of through profit or loss				(352)					(352)		(352)
Changes in actuarial gains on retirement benefits											
Related taxes				765					765		765
Changes in gains and losses recognized directly in equity	-	-	-	(1,991)	-	-	-	-	(1,991)	-	(1,991)
2018 Net income								(1,705)	(1,705)		(1,705)
Sub-total	-	-	-	(1,991)	-	-	-	(1,705)	(3,695)	-	(3,695)
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 december 2018	145,905	-	(18,305)	(1,411)	-	-	-	(1,705)	124,485	-	124,485
Impact of changes in IFRS 16 accounting policies			(199)						(199)		(199)
Shareholders' equity at 1 January 2019	145,905	-	(18,504)	(1,411)	-	-	-	(1,705)	124,285	-	124,285
Increase in share capital	6,001 ⁽¹⁾								6,001		6,001
Elimination of treasury shares											
Allocation of profit 2018			(1,705)					1,705			
Dividends 2018 paid											
Sub-total of changes linked to transactions with shareholders	6,001	-	(1,705)	-	-	-	-	1,705	6,001	-	6,001
Changes in fair value through equity				223					223		223
Change in value of through profit or loss				143					143		143
Changes in actuarial gains on retirement benefits			(9)						(9)		(9)
Related taxes				(88)					(88)		(88)
Changes in gains and losses recognized directly in equity	-	-	(9)	278	-	-	-	-	269	-	269
30 June 2019 Net income								(1,027)	(1,027)		(1,027)
Sub-total	-	-	(9)	278	-	-	-	(1,027)	(758)	-	(758)
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 30 June 2019	151,906	-	(20,218)	(1,132)	-	-	-	(1,027)	129,529	-	129,528

(1) The share capital of Société Territoriale - which amounts on June 30th, 2019 to € 151,905,500 consists of 1,519,055 shares. The Agence carried out two capital increases during the first year-half 2019 subscribed on 27th February 2019 to € 3,690k, and on 23th May 2019 for € 2,311k.

Cash flow statement

(€ '000s)	30/06/2019	31/12/2018
Net income before taxes	(1,102)	(1,495)
+/- Net depreciation and amortisation of tangible and intangible non-current assets	1,180	1,995
+/- Net provisions and impairment charges	55	
+/- Expense/income from investing activities	(4,505)	(2,457)
+/- Expense/income from financing activities	156	469
+/- Other non-cash items	(898)	1,517
= Non-monetary items included in net income before tax and other adjustments	(4,013)	1,524
+/- Cash from interbank operations	(15,000)	
+/- Cash from customer operations	(191,120)	(783,180)
+/- Cash from financing assets and liabilities	(31,472)	23,742
+/- Cash from not financing assets and liabilities	539	155
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(237,054)	(759,283)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	(242,168)	(759,255)
+/- Flows linked to financial assets and investments	(65,344)	(312,377)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(491)	(2,639)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	(65,835)	(315,016)
+/- Cash from or for shareholders	5,587	7,378
+/- Other cash from financing activities	676,586	613,141
= CASH FLOW FROM FINANCING ACTIVITIES (C)	682,173	620,518
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	374,171	(453,753)
Cash flow from operating activities (A)	(242,168)	(759,255)
Cash flow from investing activities (B)	(65,835)	(315,016)
Cash flow from financing activities (C)	682,173	620,518
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	130,032	583,785
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	130,032	583,785
Cash and cash equivalents at the end of the period	504,203	130,032
Cash and balances with central banks (assets & liabilities)		
Interbank accounts (assets & liabilities) and loans/deposits at sight	504,203	130,032
CHANGE IN NET CASH	374,171	(453,753)

NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

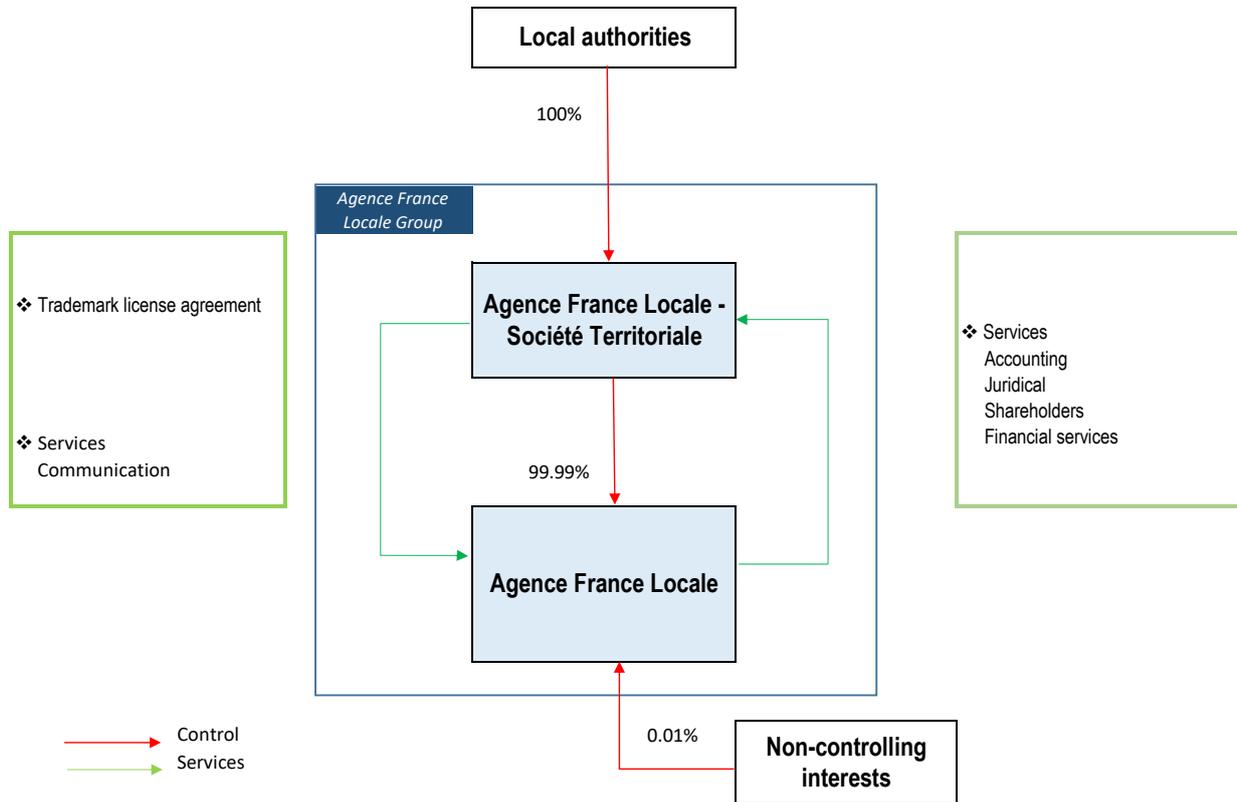
General framework

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 which are members 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 financial statements were approved by the Board of Directors as of September 4, 2019.

II - Highlights from the first half

The first half of 2019 is once again characterized by a relatively limited demand from local authorities borrowers over the period, although increasing compared to the same period in 2018, with a production of medium and long-term loans amounting to 166.3 million euros at June 30, 2019, compared with 116.9 million euros in the first half of 2018, for 85 contracts with a weighted average maturity of 18.1 years. AFL's medium and long-term credit generation represents a market share estimated at around 25% of the financing needs of AFL Group members.

During the first half of the year, AFL issued 3 bond for a total of 633.6 million euros. Following the renewal of a \$ 100 million USD 2-year private placement, AFL successfully completed its fifth benchmark bond issue in late May for 500 million euros at 7 years to 32 basis points against OAT, whose distribution has demonstrated interest and understanding by investors for its business model and a high level of confidence in the development of its activities, which is confirmed by the AFL's double rating by Moody's and Standard & Poor's rating agencies.

Finally, AFL continued to execute its borrowing program for 2019 with a 15-year private placement issued in Swedish krona for an amount of SEK 500 million.

During the first half of 2019, Société Territoriale capital raised by € 6 million to € 151.9 million following two capital increases allowing 18 new local authorities to become members of the AFL Group, rising to 310 the total number of shareholders at June 30, 2019.

The first half of 2019 marks a further increase in net banking income related to the lending activity, which is in line with the Company's development path according to his 2017-2021 strategic plan. The net banking income generated by the activity amounted to € 4,956K. It corresponds to an interest margin of € 4,663K, net capital gains on investment securities disposal of € 409K after taking into account the result of hedging accounting, which relates to the management of the liquidity reserve, commission expenses of € -14K and a result of negative hedge revaluations of € 103k.

These results are comparable to those of the first half of 2018, after which the net banking income amounted to € 5,297K, mainly corresponding to a net interest margin of € 3,903K, and capital gains on the investment securities of € 1,305K, income from commissions of € 74K and a result of negative hedge revaluations of € 73k.

The interest margin of € 4,663K as of 30 June 2019 comes from three items:

- an income of € 4,153K from the loan portfolio once restated to hedge accounting;
- a negative income of € 1,162K from the management of the cash reserve, in a context of deep negative interest rates;
- a positive income of € 1,672K associated to interest charges given the reasons stated above, net of hedge accounting.

During the first half of the year, the portfolio management of the liquidity reserve generated € 2,874K income on the sale of investment securities and € 2,466K in the loss on the cancellation of interest rate hedging instruments on securities which have been the subject of disposals, ie a net amount of gains of disposals of € 409K which breaks down into € 138K of capital losses on disposals and € 547K of capital 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 €-2,466K and secondly €-103K 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, €+528K relate to valuation differential charges on instruments classified as macro-hedges and €-631K of products relate to valuations of instruments classified as micro-hedges. There are still unrealized differences in valuations between the hedged items and the hedging instruments, one of the components of which comes from an accounting practice that leads to an asymmetry in the valuation, on the one hand, of hedging instruments collateralised daily, discounted on the basis of an Eonia curve, and, on the other, of hedged items, discounted on the basis of a Euribor curve, which, pursuant to IFRS standards, leads to the recognition of a hedging ineffectiveness that is recorded in the income statement. However, it should be noted that this corresponds to unrealized income.

At June 30, 2019, general operating expenses, after deducting recharges of administrative expenses, amounted to € 4,871K compared to € 4,689K as at June 30, 2018. They amounted to € 2,497K in personnel costs compared to € 2,465K for the first half of the previous financial year. General operating expenses also include administrative expenses for € 2,374K net of rebillings compared with € 2,224K for the first half of 2018.

This evolution finds its explanation in several elements:

- Increase in contribution to the Single Resolution Fund;
- The disappearance of the VAT adjustment on 2014 fixed assets that ended in 2018;
- The additional cost related to the double rating of the AFL; and
- Increase in the costs of advice and external services.
- The retraitement of rental paid by AFL in the context of first time application of IFRS 16 on leases, which reduces general operating expenses by € 169K.

Depreciation and amortization at June 30, 2019 amounted to € 1,180K compared to € 975K as of June 30, 2018, an increase of € 129K following the first application of IFRS 16, € 21K of amortization for office acquired by Territoriale at the end of the previous financial year and € 54K related to AFL's investment expenditure in its information system.

After depreciation and amortization, operating income at June 30, 2019 stood at € -1 095K € compared to € -368K € for the first half of 2018.

After € -7K of cost of risk related to IFRS 9, operating income at June 30, 2019 stood at € -1 102K € compared to € -601K € for the first half of 2018.

After a deferred tax income of € 74K related to IFRS restatements, the first half of the 2019 financial year shows a loss of € 1 027K compared to a loss of € 767K for the first half of the previous financial year, a period which as indicated above was characterized by capital gains on sale of securities at a non-recurring level of € 1,305K.

Events after the end of the reporting period

No significant subsequent events occurred on the beginning of the second half 2019 after the accounts closure date has to be reported.

III - Principles and methods applicable to Agence, judgments and estimates used

The condensed interim financial statements for the half-year ended June 30, 2019 were prepared in accordance with IAS 34, Interim financial reporting which 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 2018 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 2018, except for principles applicable to lease expenses, as a result of IFRS 16 first time application.

First-time application of IFRS 16

IFRS 16

IFRS 16 – Leases was adopted on 31 October 2017 by the European Union. It replaces IAS 17 – Leases and requires the recognition in the balance sheet of an asset and a liability for all leases where the company is the lessee.

Under IFRS 16, the definition of leases implies the identification of an asset on the one hand and the lessee's control of the right to use that asset on the other. From the point of view of the lessor, the treatments remain substantially unchanged from the current IAS 17 standard.

On the lessee side, operating leases and finance leases are accounted for in a single model, with recognition:

- an asset representing the right-of-use the leased property during the term of the contract,
- in exchange for a liability for the lease obligation to pay,
- a straight-line amortization of assets and degressive interest charges in the income statement.

Options retained for the first-time application of IFRS 16

AFL Group has elected the following options for first-time application of IFRS 16:

The application of IFRS 16 is retrospective in accordance with IAS 8, which implies applying the principles of IFRS 16 as if the standard had always been applied. However, the standard gives the choice between a fully retrospective application (including the reprocessing of the comparative periods) or a simplified approach with impact accounting only at the date of first application.

AFL Group opted for a simplified retrospective application with recognition of the cumulative effect of the initial application as of January 1, 2019, according to the following transition arrangements:

- application of the new definition of a lease to all contracts in progress,
- option for the exemptions proposed by IFRS 16 with the exclusion of leases with a remaining term of less than 12 month at the date of first-time application as well as low value (fixed at € 5,000).

AFL Group has only activated its real estate lease, retaining as a first-time application a remaining term of just over four years and the related interest rate implicit in the lease applied to lease payments including non-recoverable VAT.

Impacts of IFRS 16 on interim accounts

At January 1, 2019, AFL Group recognized the right-of-use as tangible asset for € 1,114m, classified as Commercial leases.

The additional lease liabilities amounted to €1.428m and was classified in Other liabilities.

Deferred taxes are calculated on both the right-of-use and the lease liability. They generated a deferred tax asset of € 114k at the date of first application.

The net of deferred tax impact in equity of the first-time application of IFRS 16 was insignificant and amounted to -€199K as at 1 January 2019.

The impact of the application of IFRS 16 on income statement was following:

(€ '000s)	30/06/19
Rental expenses reversed (for lease contracts under IFRS 16)	168
Amortization expenses for building right-of-use	-129
Interest charges on lease liabilities	-5
Total impact IFRS 16 in P/L	34

Other new accounting standards and interpretations:

IFRIC 23 - Uncertainty over Income Tax Treatments

An entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

The scope of this text is limited to income tax (current / deferred). AFL Group does not consider it to be a change from current practice. Today a risk is recognized upon the occurrence of a tax restoration. That is the case for the entity itself, a related entity or a recovery of position that is to say a third party entity.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

It concerns all financial instruments representing "other interests" in an associate or joint venture that is not accounted for using the equity method, including long-term financial assets that are part of the net investment in an associate or joint venture. In the absence of a subsidiary, AFL Group don't apply this amendment.

IAS 19 Amendment, reduction or liquidation of a plan

It addresses the consequences of a plan amendment, curtailment or settlement on the determination of the cost of services and the net interest. The cost of services and the net interest of the post-modification, reduction or liquidation period are mandatory determined using the actuarial assumptions used to record these events. As of the closing date, AFL Group does not know any cases within the scope of this amendment.

AFL Group has not applied early the following standards and interpretations that could concern the company and of which application was not mandatory at June 30, 2019.

Scope of consolidation and control

The AFL Group Group is structured as follows:

- The Group parent company is AFL Group ST
- Agence is the only subsidiary as of 30 June 2019

On 30 June 2019, the consolidation scope is composed exclusively of Agency, the subsidiary, on which the AFL Group ST has exclusive control coming from its holding of 99.99% of the voting rights.

AFL Group ST hold an exclusive control on Agence. The consolidation method used is full consolidation method.

V - Notes to the Balance Sheet

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

	30/06/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
(€ '000s)				
Financial assets held for trading	28,586	28,746	26,299	26,747
Financial assets at fair value option through profit or loss				
Total financial assets at fair value through profit or loss	28,586	28,746	26,299	26,747

Financial assets held for trading

	30/06/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
(€ '000s)				
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	28,586	28,746	26,299	26,747
Total Financial assets held for trading	28,586	28,746	26,299	26,747

	30/06/2019				31/12/2018			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
(€ '000s)								
FIRM TRANSACTIONS	508,550	508,550	28,586	28,746	965,116	965,116	26,299	26,747
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	508,550	508,550	28,586	28,746	965,116	965,116	26,299	26,747
Interest rate contracts	508,550	508,550	28,586	28,746	965,116	965,116	26,299	26,747
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

(€ '000s)	30/06/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	115,366	160,471	43,441	73,474
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	2,956	19,899	1,220	4,825
Total Hedging derivatives	118,321	180,370	44,661	78,300

Detail of derivatives designated as fair value hedges

(€ '000s)	30/06/2019				31/12/2018			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	3,748,906	2,468,128	115,366	160,471	2,968,583	2,300,829	43,441	73,474
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	3,748,906	2,468,128	115,366	160,471	2,968,583	2,300,829	43,441	73,474
Interest rate contracts	3,375,000	2,468,128	113,225	158,117	2,875,000	2,300,829	43,441	67,716
FRA								
Cross Currency Swaps	373,906		2,140	2,354	93,583			5,759
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

(€ '000s)	30/06/2019				31/12/2018			
	Notional amount		Fair value		Notional amount		Fair value	
	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	62,610	394,911	2,956	19,899	62,610	358,002	1,220	4,825
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	62,610	394,911	2,956	19,899	62,610	358,002	1,220	4,825
Interest rate contracts	62,610	394,911	2,956	19,899	62,610	358,002	1,220	4,825
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)	30/06/2019	31/12/2018
Government paper and similar securities	661,649	489,486
Bonds		13,001
Other fixed income securities		
Net amount in balance sheet	661,649	502,487
Including depreciation	(243)	(229)
Including net unrealised gains and losses	17,717	4,054

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 1st January 2019	(229)	-	-	-
<i>Transfers from 12-month to maturity</i>	-	-	-	-
<i>Transfers from maturity to 12-month</i>	-	-	-	-
<i>Transfers from expected to incurred losses</i>	-	-	-	-
Total transfer movement	-			
Movement attributable to financial instruments recognized over the period	(14)			
<i>Acquisitions</i>	(46)	-	-	-
<i>Re-estimate of parameters</i>	(3)	-	-	-
<i>Bad debts written off</i>		-	-	-
<i>On sales</i>	35	-	-	-
Expected losses as of 30th June 2019	(243)	-	-	-

Fixed-income securities - Analysis by counterparty

(€ '000s)	30/06/2019	31/12/2018
Local public sector	621,893	445,417
Financial institutions and other financial corporations	39,756	42,070
Non-financial corporations	-	15,000
Net amount in balance sheet	661,649	502,487

Fixed income securities held on Financial institutions include € 39,756k 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 31/12/2018	Additions	Disposals	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 30/06/2019
Government paper and similar securities	489,486	742,276	(584,626)	14,391	98	24	661,649
Bonds	13,001	-	(12,469)	7	(477)	(62)	-
Other fixed income securities	-	-	-	-	-	-	-
TOTAL	502,487	742,276	(597,094)	14,398	(379)	(38)	661,649

PORTFOLIO

Note 4 - SECURITIES AT AMORTIZED COST

Fixed-income securities - Analysis by nature

(€ '000s)	30/06/2019	31/12/2018
Government paper and similar securities	92,770	92,728
Bonds	60,594	86,773
Other fixed income securities		
Net amount in balance sheet	153,364	179,501
Including depreciation	(121)	(147)

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 1st January 2019	(147)	-	-	-
<i>Transfers from 12-month to maturity</i>	-	-	-	-
<i>Transfers from maturity to 12-month</i>	-	-	-	-
<i>Transfers from expected to incurred losses</i>	-	-	-	-
Total transfer movement	-			
Movement attributable to financial instruments recognized over the period	27			
<i>Acquisitions</i>		-	-	-
<i>Re-estimate of parameters</i>	12	-	-	-
<i>Bad debts written off</i>		-	-	-
<i>On sales</i>	15	-	-	-
Expected losses as of 30th June 2019	(121)	-	-	-

Fixed-income securities - Analysis by counterparty

(€ '000s)	30/06/2019	31/12/2018
Local public sector	27,132	27,172
Financial institutions and other financial corporations	126,232	152,330
Non-financial corporations		
Net amount in balance sheet	153,364	179,501

Fixed income securities held on Financial institutions include € 33,282k of securities guaranteed by States of the European Economic Area.

Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2018	Additions	Disposals	Change in interest rate reevaluation	Change in accrued interest	Prem/Disc Amort.	Change in incurred losses	Total amount as of 30/06/2019
Government paper and similar securities	92,728	-	-	197	(19)	(141)	4	92,770
Bonds	86,773	-	(26,129)	89	(47)	(115)	23	60,594
Other fixed income securities	-	-	-	-	-	-	-	-
TOTAL	179,501	-	(26,129)	287	(66)	(256)	27	153,364

Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	30/06/2019	31/12/2018
Mandatory reserve deposits with central banks	413,489	121,654
Other deposits		
Cash and central banks	413,489	121,654
Impairment	(13)	(4)
Net amount in balance sheet	413,476	121,650

Receivables on credit institutions

(€ '000s)	30/06/2019	31/12/2018
Loans and receivables		
- on demand and short notice	90,715	8,378
- term	15,002	50,000
Cash collateral paid	88,165	52,841
Securities bought under repurchase agreements		
Total	193,882	111,219
Impairment for expected losses	(6)	(2)
Net carrying amount	193,876	111,217

Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	30/06/2019	31/12/2018
Short-term credit facilities	24,406	2,954
Other loans	2,477,683	2,227,003
Customers transactions before impairment charges	2,502,089	2,229,957
Impairment	(46)	(46)
Net carrying amount	2,502,043	2,229,911
<i>Of which individual impairment</i>	(46)	(46)
<i>Of which collective impairment</i>		

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 1st January 2019	(49)	(2)		
<i>Transfers from 12-month to maturity</i>	(0.07)	0.07		
<i>Transfers from maturity to 12-month</i>	(2)	2		
<i>Transfers from expected to incurred losses</i>				
Total transfer movement	(2)	2		
Movement attributable to financial instruments recognized over the period	(13)	(1)		
<i>Production and acquisition</i>	(20)			
<i>Re-estimate of parameters</i>	3	(1)		
<i>Bad debts written off</i>				
<i>Repayments</i>	4			
Expected losses as of 30th June 2019	(64)	(1)		

SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

(€ '000s)	31/12/2018	Depreciation charges	Reversals amounts not used	Net charge	Utilised	30/06/2019
Financial assets at fair value through other comprehensive income						
<i>Depreciations on performing assets</i>	229	46	(32)	14		243
<i>Depreciations on non-performing assets</i>						-
<i>Depreciations on doubtful assets</i>						-
Total	229	46	(32)	14		243
Financial assets at amortized cost						
<i>Depreciations on performing assets</i>	196	22	(34)	(12)		184
<i>Depreciations on non-performing assets</i>	2	1	(2)	(1)		1
<i>Depreciations on doubtful assets</i>						-
Total	198	22	(36)	(13)		185

CLASSIFICATION OF FINANCIAL ASSETS BY RISK LEVEL

(€ '000s)	Gross amount			Depreciations			Net amount
	Buket 1	Buket 2	Buket 3	Buket 1	Buket 2	Buket 3	
Central banks	413,489			(13)			413,476
Financial assets at fair value through other comprehensive income	661,892			(243)			661,649
Securities at amortized cost	153,485			(121)			153,364
Loans and receivables due from credit institutions and similar items at amortized cost	193,882			(6)			193,876
Loans and receivables due from customers at amortized cost	2,497,893	4,196		(45)	(1)		2,502,043

Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	30/06/2019	31/12/2018
Net asset as at 1st of january	5,691	5,136
Of which deferred tax assets	5,691	5,355
Of which deferred tax liabilities		219
Recognised in income statement	74	(210)
Income statement (charge) / credit	74	(210)
Recognised in equity	26	765
Financial assets at fair value through other comprehensive income	(88)	765
Cash flow hedges		
Other	114	
Net asset as at	5,792	5,691
Of which deferred tax assets	5,792	5,691
Of which deferred tax liabilities		

Deferred tax net assets and liabilities are attributable to the following items:

(€ '000s)	30/06/2019	31/12/2018
Financial assets at fair value through other comprehensive income	458	546
Cash flow hedges		
Losses carried forward	5,051	5,051
Other temporary differences	283	94
TOTAL DEFERRED TAX ASSETS	5,792	5,691

(€ '000s)	30/06/2019	31/12/2018
Financial assets at fair value through other comprehensive income		
Cash flow hedges		
Other temporary differences		
TOTAL DEFERRED TAX LIABILITIES	-	-

Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	30/06/2019	31/12/2018
Other assets		
Deposits	68	69
Other assets	47	8
Impairment		
Total	115	77
Accruals		
Prepaid charges	473	218
Other deferred income		1
Transaction to receive and settlement accounts		
Other accruals	35	53
Total	508	272
TOTAL OTHER ASSETS AND ACCRUALS	623	349

Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2018	Additions	Transfers	Disposals	Amort.	Other	30/06/2019
Intangible fixed assets							
IT development costs	9,357	101				125	9,583
Other intangible assets	496						496
Intangible assets in progress	152	379				(125)	406
Intangible fixed assets gross amount	10,005	480	-	-	-	-	10,485
Depreciation and allowances - Intangible fixed assets	(6,715)				(981)		(7,697)
Intangible fixed assets net carrying amount	3,290	480	-	-	(981)	-	2,789

Tangible fixed assets	31/12/2018	Additions	Transfers	Disposals	Amort.	Other	30/06/2019
Commercial leases						2,172 ⁽¹⁾	2,172
Property, plant & equipment	2,906	11					2,917
Tangible fixed assets gross amount	2,906	11	-	-	-	2,172	5,088
Depreciation and allowances - Tangible fixed assets	(392)				(198)	(1,057) ⁽¹⁾	(1,647)
Tangible fixed assets net carrying amount	2,514	11	-	-	(198)	1,114	3,441

⁽¹⁾ These amounts result from the application of IFRS 16 as of January 1, 2019.

Note 10 - DEBT SECURITIES

(€ '000s)	30/06/2019	31/12/2018
Negotiable debt securities	140,048	
Bonds	3,616,665	2,996,909
Other debt securities		
TOTAL	3,756,713	2,996,909

Note 11 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	30/06/2019	31/12/2018
Other liabilities		
Deposits received		
Miscellaneous creditors	3,258	1,402
Total	3,258	1,402
Accruals		
Transaction to pay and settlement accounts	341	
Other accrued expenses	546	824
Unearned income		
Other accruals	33	34
Total	920	858
TOTAL ACCRUALS AND OTHER LIABILITIES	4,177	2,260

Note 12 - PROVISIONS

(€ '000s)	Balance as of 31/12/2018	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 30/06/2018
Provisions						
Financing commitment execution risks	5	8		(2)		11
Provisions for litigations						
Provisions for employee retirement and similar benefits	19	48			9	75
Provisions for other liabilities to employees						
Other provisions						
TOTAL	23	55	-	(2)	9	85

OFF-BALANCE SHEET

(€ '000s)	30/06/2019	31/12/2018
Commitments given	281,765	365,646
Financing commitments	250,560	365,646
<i>For credit institutions</i>		
<i>For customers</i>	250,560	365,646
Guarantee commitments		
<i>For credit institutions</i>		
<i>For customers</i>		
Commitments on securities	31,205	
<i>Securities to be delivered to the issuance</i>		
<i>Other securities to be delivered</i>	31,205	
Commitments received	44,226	2,469
Financing commitments		
<i>From credit institutions</i>		
Guarantee commitments	2,407	2,469
<i>From credit institutions</i>		
<i>From customers</i>	2,407	2,469
Commitments on securities	41,818	
<i>Securities receivable</i>	41,818	

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 1st January 2018	5	-	-	-
<i>Transfers from 12-month to maturity</i>				
<i>Transfers from maturity to 12-month</i>				
<i>Transfers from expected to incurred losses</i>				
Total transfer movement	-	-	-	-
Movement attributable to financial instruments recognized over the period	6			
<i>Charge</i>	8			
<i>Utilised</i>				
<i>Reversal utilised</i>	(2)			
Expected losses as of 31 December 2018	11	-	-	-

VI - Notes to the Income Statement

Note 13 - INTEREST INCOME AND EXPENSES

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Interest and similar income	37,030	28,076	64,387
Due from banks	8		
Due from customers	13,394	8,815	19,754
Bonds and other fixed income securities	1,153	743	1,877
<i>Financial assets at fair value through other comprehensive income</i>	1,284	743	1,957
<i>Securities at amortized cost</i>	(131)		(79)
Income from interest rate instruments	22,475	18,517	42,755
Other interest income			
Interest and similar expenses	(32,367)	(24,173)	(56,534)
Due to banks	(484)	(945)	(1,975)
Due to customers			
Debt securities	(10,717)	(6,869)	(16,863)
Expense from interest rate instruments	(21,166)	(16,360)	(37,695)
Other interest expenses			
Interest margin	4,663	3,903	7,853

Note 14 - NET FEE AND COMMISSION INCOME

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Fee & Commission Income	35	134	289
Interbank transactions			
Customer transactions	0.3	92	178
Securities transactions			
Forward financial instruments transactions			
Currencies transactions			
Financing commitments and guarantee	35	43	111
Other commissions received			
Fee & Commission Expense	(49)	(60)	(127)
Interbank transactions	(2)	(1)	(3)
Securities transactions	(4)	(4)	(7)
Forward financial instruments transactions	(43)	(55)	(117)
Currencies transactions			
Financing commitments and guarantee			
Other commissions paid			
Net Fee and Commission income	(14)	74	162

Note 15 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Gains/(losses) on Trading book	1	(10)	(0)
Net result of hedge accounting	(2,568)	1,357	868
Net result of foreign exchange transactions	(0.5)		0.2
TOTAL	(2,567)	1,346	868

Analysis of net result of hedge accounting

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Fair value hedges			
Fair value changes in the hedged item attributable to the hedged risk	10,233	(15,868)	(18,948)
Fair value changes in the hedging derivatives	(10,864)	15,906	19,213
Hedging relationship disposal gain	(2,466)	1,429	871
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	14,410	1,007	2,836
Fair value changes in the hedging derivatives	(13,882)	(1,116)	(3,105)
Net result of hedge accounting	(2,568)	1,357	868

Note 16 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Gains from disposal of fixed income securities	2,972	2,375	3,439
Losses from disposal of fixed income securities	(98)	(2,401)	(2,576)
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	2,874	(26)	863

Note 17 - GENERAL OPERATING EXPENSES

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Employee expenses			
Wages and salaries	1,621	1,606	3,161
Post-employment benefit expenses	162	157	324
Other expenses	714	702	1,314
Total Employee expenses	2,497	2,465	4,799
Operating expenses			
Taxes and duties	444	328	506
External services	1,930	1,896	3,749
Total Administrative expenses	2,374	2,224	4,255
Charge-backs and reclassification of administrative expenses			
Total General operating expenses	4,871	4,689	9,054

Note 18 - COST OF RISK

(€ '000s)	30/06/2019	30/06/2018	31/12/2018
Net charge to provisions	(9)	(233)	(190)
<i>for financial assets at fair value through other comprehensive income</i>	(14)	(223)	(86)
<i>for financial assets at amortized cost</i>	5	(9)	(104)
Net charge to provisions	2	(1)	(2)
<i>for financing commitments</i>	2	(1)	(2)
<i>for guarantee commitments</i>			
Irrecoverable loans written off not covered by provisions			
Recoveries of bad debts written off			
Total Cost of risk	(7)	(234)	(191)

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:

(€ '000s)	30/06/2019			
	Total	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss	28,586	-	28,586	-
Hedging derivative instruments	118,321	-	118,321	-
Government paper and similar securities	661,649	661,649	-	-
Bonds	-	-	-	-
Other fixed income securities	-	-	-	-
Total Financial assets at fair value through other comprehensive income	661,649	661,649	-	-
Total Financial assets	808,557	661,649	146,908	-
Financial liabilities				
Financial liabilities at fair value through profit or loss	28,746	-	28,746	-
Hedging derivative instruments	180,370	-	180,370	-
Total Financial liabilities	209,115	-	209,115	-

Fair values of instruments carried at amortised cost:

(€ '000s)	30/06/2019				
	Net Carrying value	Fair value	Measured using		
			Level 1	Level 2	Level 3
Financial assets					
Cash, central banks and issuing institutions	413,476	413,476	-	-	413,476
Government paper and similar securities	92,770	92,744	92,744		
Bonds	60,594	60,536	60,536		
Other fixed income securities	-				
Securities at amortized cost	153,364	153,280	153,280		
Loans and receivables due from credit institutions	193,876	193,876	-	-	193,876
Loans and advances to customers (*)	2,517,780	2,517,780	-	-	2,517,780
Total Financial assets	3,278,497	3,278,412	153,280	-	3,125,133
Financial liabilities					
Debt securities	3,756,713	3,764,482	3,351,864	272,570	140,048
Total Financial liabilities	3,756,713	3,764,482	3,351,864	272,570	140,048

(*) 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 2019 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 30/06/2019
Cash, central banks	413,489		(13)	413,476
Financial assets at fair value through profit or loss	28,586			28,586
Hedging derivative instruments	118,321			118,321
Financial assets at fair value through other comprehensive income	661,649			661,649
Securities at amortized cost	153,485		(121)	153,364
Loans and receivables due from credit institutions	193,882		(6)	193,876
Loans and advances to customers	2,502,089		(46)	2,502,043
Revaluation adjustment on interest rate hedged portfolios	15,737			15,737
Current tax assets	42			42
Other assets	115			115
Sub-total Assets	4,087,396	-	(186)	4,087,211
Financing commitments given	250,560			250,560
TOTAL Credit risk exposure	4,337,956	-	(186)	4,337,770

Exposure analysis by counterparty

(€ '000s)	Total 30/06/2019
Central banks	413,476
Local public sector	3,417,455
Credit institutions guaranteed by the EEA States	73,038
Credit institutions	346,208
Other financial corporations guaranteed by the EEA States	
Other financial corporations	87,525
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	68
Total Exposure by counterparty	4,337,770

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 30/06/2019
France	3,723,735
Supranational	235,550
Japan	105,117
Canada	86,147
Netherlands	65,285
Finland	45,450
New Zealand	26,178
China	25,629
Germany	20,769
Denmark	3,492
Belgium	419
Total Exposure by country	4,337,770

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 30/06/2019
Cash, central banks	413,476				413,476			413,476
Financial assets at fair value through profit or loss		295	4,687	21,275	26,258	2,328		28,586
Hedging derivative instruments	694	19	51,128	63,921	115,763	2,558		118,321
Financial assets at fair value through other comprehensive income								
Government paper and similar securities	112,886	50,078	130,295	349,527	642,787	1,145	17,717	661,649
Bonds								
Total Financial assets at fair value through other comprehensive income	112,886	50,078	130,295	349,527	642,787	1,145	17,717	661,649
Securities at amortized cost								
Government paper and similar securities		50,602	37,841	3,798	92,241	104	425	92,770
Bonds		48,381	12,011		60,393	12	189	60,594
Total Securities at amortized cost		98,983	49,853	3,798	152,634	116	614	153,364
Loans and receivables due from credit institutions	193,882				193,882	(6)		193,876
Loans and advances to customers	113,959	172,087	647,403	1,474,240	2,407,689	7,265	87,089	2,502,043
Revaluation adjustment on interest rate hedged portfolios							15,737	15,737
Current tax assets	42				42			42
Other assets	115				115			115
TOTAL ASSETS								4,087,211
Central banks						115		115
Financial assets at fair value through profit or loss		295	4,686	21,275	26,256	2,489		28,746
Hedging derivative instruments	2,706	2,063	7,278	160,095	172,141	8,228		180,370
Debt securities	131,319	8,730	2,333,578	1,164,288	3,637,915	2,237	116,561	3,756,713
Due to credit institutions	5				5			5
Revaluation adjustment on interest rate hedged portfolios								-
Other liabilities	3,258				3,258			3,258
TOTAL LIABILITIES								3,969,206

Agence France Locale has a surplus of long-term liabilities, which reflects its limited transformation goals. The difference in modified duration between assets and liabilities is negative; liabilities are still longer than assets. This situation is related to the business start and should evolve in a balanced situation, which should eventually see liabilities with a slightly shorter average life than assets. At 30th of June 2019, assets are composed of short-term securities that will be transformed into medium-to-long-term loans.

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 2019 are described into the financial report as at 30th June 2019.

Agence France Locale - Société Territoriale

**Statutory Auditors' Review Report
on the interim consolidated condensed financial statements**

For the six-month period ended June 30, 2019
Agence France Locale - Société Territoriale
41 Quai d'Orsay - 75007 Paris

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Agence France Locale - Société Territoriale

Registered office : 41 Quai d'Orsay - 75007 Paris
Share capital : €151,905,500

Statutory Auditors' Review Report on the interim consolidated condensed financial statements

For the six-month period ended June 30, 2019

To the Shareholders,

In our capacity as Statutory Auditors of Agence France Locale - Société Territoriale and in answer 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 consolidated condensed financial statements of Agence France Locale - Société Territoriale prepared in compliance with IFRS (International Financial Reporting Standards) as adopted by the European Union, for the period from January 1, 2019 to June 30, 2019.

These interim consolidated condensed financial statements are the responsibility of the Board of Directors. Our responsibility is to express a conclusion on these interim consolidated 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 consolidated condensed financial statements as at June 30, 2019 are not prepared, in all material respects, in accordance with IAS 34 – standard of

the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the opinion expressed above, we draw your attention to the paragraph "IV - Accounting principles" of the interim condensed consolidated financial statements which presents the impacts of the change in accounting policy induced by the implementation of IFRS 16 "Lease".

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, September 24th, 2019

Paris, September 24th, 2019

KPMG Audit FS I

Cailliau Dedouit et Associés

Ulrich Sarfati
Partner

Laurent Brun
Partner