

2021: a record year for AFL Group

Following the meetings of the Supervisory Board of Agence France Locale and the Board of Directors of Agence France Locale – Société Territoriale, held on March 28, 2022, AFL Group¹ today published its annual report for 2021.

AFL Group is reporting consolidated net income after cost of risk of €1.73 million and a high solvency ratio (CET1) of 15.73% for 2021.

The results for the year ended December 31, 2021 confirm the acceleration of AFL Group's growth thanks to:

- **an exceptional rate of new local authority memberships and a substantial increase in loan production;**
 - **the institutionalization of AFL Group, an important player in the French local authority landscape;**
 - **balance sheet strength characterized by a high level of capitalization and abundant liquidity, in an uncertain environment.**
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AFL in numbers²

496 local authority members

243 million euros in committed capital

5 billion euros in outstanding loans signed

41% market share among member local authorities

6.6 billion euros in outstanding debt raised on the markets

32 employees on permanent contracts

¹ Agence France Locale Group (AFL Group) is composed of Agence France Locale (AFL), a credit institution, and Agence France Locale – Société Territoriale (AFL-ST), AFL's financial holding company.

² At 12/31/2021



Press contact

Lucille Simon – Head of Communications
lucille.simon@afl-banque.fr – 04 69 84 81 04



Investor contact

Romain Netter – Medium- and long-term Chief Financial Officer
romain.netter@afl-banque.fr

A further step forward for AFL in 2021

2021 allowed AFL to accelerate its development through three levers:

- **A record number of new memberships:** In 2021, four new capital increases enabled 85 additional local authorities to join AFL Group, bringing the total number of members to 496, including 5 regions, 11 departments and 14 metropolises. AFL-ST's committed capital amounts to €242.8 million and its paid-up capital to €206.4 million.
- **Strong growth in credit volumes:** AFL's loan production reached €1.24 billion, up 33% year on year, i.e. market share of 6.2% in 2021, compared with 3.2% in 2020 (source: Finance Active).
- **Effective refinancing:** AFL raised €1.47 billion through nine bond issues, including five private placements, on very attractive terms, representing 27% of the total issued in 2021 and helping lower the Group's refinancing costs.

Yves Millardet, Chairman of the AFL Management Board, said: *"2021 enabled AFL Group to embark on the second phase of its business development. After the start-up phase, AFL Group is now in a phase of accelerated growth. 2021 saw a 33% increase in new loans and a doubling of financing commitments in three years, as well as the membership of 85 new local authorities during the year. Lastly, the year ended with gross operating income higher than that indicated in the AFL business plan."*

Factors of strength underpinning the business model

In a 2021 environment marked by the Covid crisis, AFL demonstrated strength enabling it to support local authorities in implementing the stimulus plan and addressing the transitions they are facing.

- The strength of AFL Group's financial structure is underlined by its capital ratios:
 - CET1 solvency ratio of 15.73%, compared with a regulatory minimum of 11.75%;
 - Leverage ratio (CRR2), calculated in accordance with the methodology applicable to public development banks, of 7.28%.
- Another source of the model's strength is the level of AFL's liquidity:
 - The LCR is 923%;
 - The total amount of the liquidity reserve allows AFL to meet all of its needs for more than 12 months without having to call on the market;



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- Deposits with the Banque de France amount to €1.2 billion.
- AFL’s activities carry a very low cost of risk intrinsic to its model as a public development credit institution, its prudent management and the excellent creditworthiness of local authorities:
 - The cost of risk was €94 thousand in 2021 and provisions totaled €875 thousand, i.e. a provisioning rate of 1.2 basis points of outstanding amounts.
- AFL’s status as a public development credit institution allows it to fulfill its public policy mission in the general interest entirely, thereby making it an appropriate tool for local authorities to respond to the economic consequences of crises, such as the Covid-19 crisis or the crisis in Ukraine.
- AFL’s financial ratings, confirmed in 2021, are very high and allow access to the capital markets under very good conditions.

AFL’s ratings as of December 31, 2021

| | Moody’s | Standard & Poor’s |
|-------------------|-----------------|-------------------|
| Long-term rating | Aa3 | AA- |
| Outlook | Stable | Stable |
| Short-term rating | P-1 | A-1+ |
| Updated | October 6, 2021 | May 28, 2021 |

“The soundness of AFL Group’s model today makes it possible to support local governments in their future response to the current crisis in an environment that promises to remain complex and uncertain over the long term,” confirms Olivier Landel, Chief Executive Officer of AFL-ST.

The institutionalization of AFL Group in the French local authority landscape

In 2021, AFL strengthened its position as a key player in the local authority landscape. For Pia Imbs, Chairwoman of the Board of Directors of AFL-ST and Vice-Chairwoman of the Supervisory Board of AFL, *“the relevance of the AFL Group model is reflected in the Group’s increasing place in the financing of local public investment, seven years after beginning its activity, with its market share doubling year on year”*.



- **Market share:** With an original model and deep roots going back seven years in the local government financing market, AFL Group has acquired a strong reputation that saw its market share among its members swell to 41% in 2021.
- **Partnerships:**

In 2021, AFL Group signed and implemented several defining partnerships with leading nationwide bodies, including:

 - The National Agency for Territorial Cohesion (ANCT), through a partnership aimed at providing local authorities with turnkey financing solutions, particularly as part of major programs geared towards reducing inequalities between regions: “Petites villes de demain”, “France services”, “Action cœur de ville” and “Territoires d’industrie” (Small towns of tomorrow, France services, Town center action and Regions of industry). Created by the law of July 22, 2019, the ANCT is tasked with acting as a “project factory” to enable local authorities to carry out their projects;
 - Ademe, through a partnership aimed at strengthening AFL’s expertise in the analysis of sustainability-based spending by local authorities so as to offer local authorities precise analysis of these issues.
- **Expertise:**

In addition to its role in financing local authorities, AFL strengthened its expertise in the provision of services to local authorities in 2021, notably via:

 - The publication of an inaugural study on the financing of the ecological transition, carried out by student administrators from INET, with the assistance of I4CE and countless national associations of elected officials. The study was subsequently adapted for specific audiences, namely small towns, suburbs and overseas communities;
 - The publication of the second AFL barometer on the financial health of local authorities, together with a specific version for the “small towns of tomorrow”;
 - The development of training programs for local government employees on bank financing questions, led by the National Center for the Territorial Public Service (CNFPT).

Subsequent events and outlook

- According to the recent Cazeneuve report dated February 22, 2022, the financial position of French local authorities, to which AFL is exposed through its lending activity, improved significantly in 2021. Before the outbreak of war in Ukraine, the outlook for local finances was generally favorable in 2022.



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- After the Covid-19 health crisis, the ongoing crisis in Ukraine will have multiple and profound political, social, economic and financial consequences. However, it is still too early to have a comprehensive view of the impact of this crisis on activities in France, on the situation of local authorities and on AFL. Note that AFL has no direct exposure to either Ukraine or Russia.
- On March 28, 2022, the Board of Directors of AFL-ST launched a 32nd capital increase allowing 34 new local authorities to join, including the Nouvelle Aquitaine Region, the Greater Cognac Urban Community, the Dieppoise Region Urban Community and numerous towns and several suburban and municipality communities.

The AFL Management Board approved the AFL annual financial statements for 2021 on March 14, 2022. The AFL Supervisory Board, which met under the chairmanship of Sacha Briand on March 28, 2022, reviewed AFL's annual financial statements.

The Board of Directors of AFL-ST (Société Territoriale), which met under the chairmanship of Pia Imbs on March 28, 2022, approved the financial statements of the parent company (Société Territoriale) and the consolidated financial statements of the Group.

The audit procedures on the annual and consolidated financial statements for the period from January 1 to December 31, 2021 have been carried out by the auditors. Their reports are available at the following address:

<http://www.agence-france-locale.fr>

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 potential ensuing economic crisis, which may cause actual results to differ from those indicated or implied in these statements.

AFL Group's financial information for 2021 consists of this press release and the report available on the website: <http://www.agence-france-locale.fr/2021-une-annee-record-pour-le-groupe-afl-publication-des-resultats-annuels>

A propos de l'Agence France Locale

« Incarner une finance responsable pour renforcer le pouvoir d'agir du monde local afin de répondre aux besoins présents et futurs des habitants ».



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« En créant la première banque que nous détenons et pilotons à 100%, nous, collectivités locales françaises, avons posé un acte politique fort en faveur de la décentralisation. Notre établissement, l'Agence France Locale, n'est pas un établissement financier comme les autres. Créé par et pour les collectivités, il agit pour le monde local, pour renforcer notre liberté, notre capacité à développer des projets et notre responsabilité d'acteurs publics. Sa culture de la prudence nous préserve des dangers de la complexité et la richesse de sa gouvernance, des dérives liées aux conflits d'intérêt. L'objectif fondamental : offrir un accès à la ressource au monde local, dans les meilleures conditions et en toute transparence. Les principes de solidarité et d'équité nous guident. Convaincus qu'ensemble on va plus loin, nous avons souhaité un établissement agile, qui s'adresse à toutes les collectivités, aux plus importantes régions comme aux plus petites communes. Nous concevons le profit comme un moyen d'optimiser la dépense publique, non comme une fin. À travers l'AFL, nous soutenons un monde local engagé pour relever les défis sociaux, économiques et environnementaux. L'AFL renforce notre pouvoir d'agir : mener des projets sur nos territoires, pour aujourd'hui comme pour demain, au service des habitants. Nous sommes fiers d'avoir une banque qui affiche un développement à notre image, toujours plus responsable et plus durable. Nous sommes l'Agence France Locale. »

Plus d'informations sur www.agence-france-locale.fr



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