

**CREDIT OPINION**

21 May 2024

Update

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**RATINGS**

**Agence France Locale**

Domicile	France
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Not Assigned

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Agence France Locale**

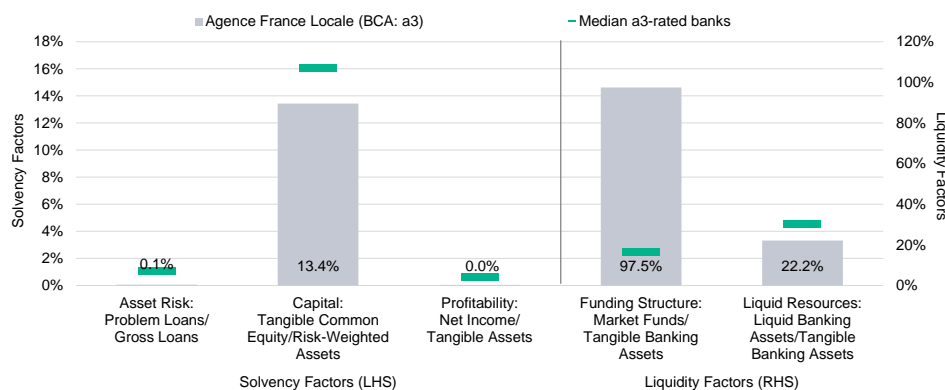
Update to credit analysis following rating action

**Summary**

Agence France Locale's (AFL) BCA of a3 reflects our view that (1) the entity's fundamentals remain robust; (2) its two-tier governance structure provides appropriate oversight; and (3) AFL will be able, over the outlook horizon, to maintain high asset quality, a stable funding structure and adequate solvency. The continuous increase in membership alongside loan production boosted the revenues of AFL, which became profitable from 2020 onwards.

The issuer and senior unsecured ratings of Aa3/Prime-1 reflect (1) AFL's a3 standalone credit strength; (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch LGF uplift from the Adjusted BCA of a3, given the significant volume of senior debt; and (3) the government support uplift of one notch. This reflects a high support assumption incorporating (i) the joint and several guarantee provided to AFL's creditors by all the member local authorities (limited to the level of their respective outstanding loans extended by AFL) and (ii) the likelihood of moderate support from the central government.

Exhibit 1  
**Rating Scorecard - Key financial ratios**



Source: Moody's Ratings

**Credit strengths**

- » The institution is owned by, and dedicated to the financing of the French local authorities.
- » The loan portfolio is of high quality.
- » Capital is commensurate with low asset risk
- » Liquidity and market risks are limited.

## Credit challenges

» Although commensurate with its status and low risk profile, profitability is low.

## Outlook

The outlook on the long-term issuer and senior unsecured ratings is stable as we do not expect any significant changes in the bank's creditworthiness in the next 12-18 months. The outlook is also driven by the stable outlook on the Aa2 rating of the Government of France.

## Factors that could lead to an upgrade

Although unlikely over the outlook horizon, an upgrade of the BCA could be contemplated once AFL has further stabilized its franchise, increased its market share, generated sustainable profit and accumulated capital. An upgrade of AFL's BCA could result in an upgrade of its long-term issuer and senior unsecured ratings.

## Factors that could lead to a downgrade

AFL's BCA could be lowered if the viability of AFL's business model was challenged. This could arise if the bank (1) failed to sustain its profitable business model; (2) were unable to raise funding at a cost that would allow it to originate competitive loans; or (3) if asset risk were to deteriorate unexpectedly. A deterioration in France's Macro Profile (currently Strong+) could also trigger a downgrade of AFL's BCA.

AFL's long-term issuer and senior unsecured ratings could be downgraded if (1) its BCA were to be downgraded; (2) the probability of parental or central government support were to reduce; or (3) the French government's rating were to be downgraded.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Agence France Locale (Consolidated Financials) [1]

	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Million)	8,557.9	8,011.8	6,999.3	5,729.8	4,356.7	18.4 <sup>4</sup>
Total Assets (USD Million)	9,453.6	8,550.6	7,930.9	7,010.8	4,890.4	17.9 <sup>4</sup>
Tangible Common Equity (EUR Million)	210.2	190.0	176.4	147.0	123.3	14.3 <sup>4</sup>
Tangible Common Equity (USD Million)	232.2	202.7	199.8	179.9	138.4	13.8 <sup>4</sup>
Problem Loans / Gross Loans (%)	0.0	0.1	0.1	0.1	0.1	0.1 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	13.4	15.9	15.5	14.9	15.7	15.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	0.0	2.3	2.2	2.8	3.1	2.1 <sup>5</sup>
Net Interest Margin (%)	0.3	0.2	0.2	0.2	0.3	0.2 <sup>5</sup>
PPI / Average RWA (%)	0.6	0.4	0.2	0.3	-0.1	0.3 <sup>6</sup>
Net Income / Tangible Assets (%)	0.1	0.0	0.0	0.0	0.0	0.0 <sup>5</sup>
Cost / Income Ratio (%)	67.2	76.2	86.7	81.7	104.6	83.3 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	97.5	97.6	97.4	97.4	97.1	97.4 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	22.2	29.5	33.7	28.3	22.9	27.3 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Created in 2013, AFL is a credit institution owned by, and dedicated to the financing of, the French local authorities.<sup>1</sup> The importance of AFL's franchise can be assessed by its market share as a provider of loans to the French public sector, currently in the region of 3% (based on outstanding stock of loans). It can also be ascertained by the percentage of its members' total indebtedness (at and outside of AFL) relative to the total outstanding debt of the French local and regional government sector, which is currently estimated at around 25%.

The entity's remit consists in providing selected French public sector entities with stable and competitive financing through simple and transparent products. AFL also ensures stable and reasonable funding costs by accessing a well-diversified and international institutional investor base (around 75% out of France) whose confidence towards the bank stems from a very low-risk and simple business model.

AFL's business is limited to providing financing to its members, which cannot exceed 80% of their total borrowings<sup>2</sup>. AFL has progressively broadened its member base, which reached 776 local authorities as of year-end 2023 (from 599 at year-end 2022 and 496 at year-end 2021), bringing its total paid-in and committed capital to €232 million and €294 million<sup>3</sup> respectively as of the same date, up from €218 million and €272 million respectively as of year-end 2022.

Loan origination was initially restricted to the French local governments under a narrow definition, that is, excluding hospitals, satellites and semipublic companies (sociétés d'économie mixte). Since 27 December 2019, AFL is also entitled, by law, to finance local authority groupings and local public institutions (*syndicats* and *établissements publics locaux*), a positive development given their strong creditworthiness. AFL's long-term loans solely finance its customers' investments.

The institution's governance is based on a two-tier structure:

- » AFL, the operational entity, is 99.99% owned by Agence France Locale - Société Territoriale. AFL provides loans to local authorities and for this purpose raises funds in the capital markets. It is supervised by the French prudential supervisory authority (ACPR).
- » Agence France Locale - Société Territoriale, fully owned by the local authorities, is tasked with setting the strategy and vetting of new members. This structure has so far been protective of AFL's management independence.

Each member provides a guarantee in case AFL would run into difficulties, which is limited to the loan's amount extended by AFL yet on a joint and several basis (members' guarantee). AFL security holders also benefit from a guarantee from Agence France Locale -

Société Territoriale (ST guarantee), up to an amount of €15 billion (as of end-December 2022, the amount of guaranteed securities issued by AFL, comprising debt issues and financial transactions with counterparties, amounted to €11.9 billion). Both guarantees are independent but can potentially be called simultaneously. Besides, the "ST Guarantee" may be called on the creditors' behalf at the request of AFL if it anticipates that (i) in more than five days, it will not be able to repay a maturing debt; or that (ii) the repayment of a debt at maturity will trigger a breach of its prudential ratios or any other ratio set by the Board of Directors of Agence France Locale - Société Territoriale.

## Detailed credit considerations

### The loan portfolio is of high credit quality

AFL's portfolio is of high quality and we expect it to remain so, given the restricted scope of customers and in light of the historical performance of these borrowers. We believe that the current member pool reflects the average credit risks of the French public local sector and assume that the future composition of the portfolio will remain in line with the current risk profile as membership increases. As of year-end 2023, the loan portfolio was 52% composed of exposures to groupings of local authorities, 30% to municipalities, 10% to departments and 8% to regions.<sup>4</sup>

The problem loan ratio was nil at year-end 2023 and 0.1% at year-end 2022. Stage 2 loans totaled €78 million at year-end 2023 (or 1.2% of the loan book), broadly stable from year-end 2022.

AFL's low asset risk is also reflected in very limited cost of risk and stock of provisions. In 2023, the cost of risk relating to forward looking provisions for expected losses on financial assets under IFRS 9 was a net release of €117 thousand compared to a net charge of €404 thousand in 2022 (around 0.5 basis points of gross credit exposures), as a result of small changes in macroeconomic scenarios. The stock of IFRS 9 provisions was €1.16 million (or 1.3 basis points of outstanding loans), slightly down from €1,28 million at year-end 2022 (or 1.7 basis points).

### Capital is commensurate with low asset risk

AFL's capital ratios are calculated on a consolidated basis, at the level of Agence France Locale - Societe Territoriale (the parent company). As of year-end 2023, the consolidated common equity Tier 1 (CET1) and total capital ratios were both at 13.23%. Although above its minimum total regulatory capital requirement of 12% as of year-end 2023<sup>5</sup> and its internal limit of 12.5%<sup>6</sup> the ratio was down from 15.6% at year-end 2022 as 31% increase in risk-weighted assets (RWAs) more than offset the positive effect of 11% rise in its capital base. The bank achieved strong lending growth in 2023<sup>7</sup> in a context of unexpectedly high demand for loans by the local authorities. The impact of the substantial rise in the loan book is also tangible in the unadjusted leverage ratio (of which denominator, contrary to the regulatory leverage ratio, includes the whole loan book of the bank), which fell to 2.23% at year-end 2023 (before taking into account the year's net profit into the retained earnings), slightly below the bank's internal threshold of 2.25%, from 2.5% at year-end 2022. The regulatory leverage ratio<sup>8</sup> increased to 8.9% at year-end 2023 from 7.8% at year-end 2022, and was well above the 3% minimum requirement.

The temporary decline in the capital ratios as of year-end 2023 is indicative AFL's dynamic lending growth. The loan book continues to grow as AFL's membership expands and brings additional capital. However there can be some time lag between loan growth and the pace at which capital accrues, as has been the case in 2023. The fact that new members are allowed to release their committed capital over several years<sup>9</sup> also contributes to a slower growth in capital than in membership. We expect the bank to continue to steer its lending so as to protect its capital ratios, which are likely to be above those reported as of year-end 2023.

Although materially improved over the past seven years with the growth of the portfolio, single name concentration remains high (the top ten exposures accounted for less than 30% of the loan book at year-end 2023 versus more than 50% at year-end 2017), which implies that the default of a single borrower would have a material impact on the bank's net income and solvency. This credit concentration risk is inherent to the public-sector financing business and also applies to AFL's European peers. The concentration risk is, nevertheless, more contained given the relatively high risk-weight applied to the French local authorities (20%) in the calculation of large exposure limits. We believe that similar to the other French and Nordic specialized lenders, high asset quality strongly mitigates concentration risk.

As a bank reporting its capital ratio under the standardized approach, AFL has to apply a risk weight of 20% to its exposures to the French local authorities whereas most peer (except for Kommunalbanken) typically assign a zero (or close to zero) risk weight to this

type of lending. As a consequence, AFL's risk-weighted capital metrics are below those of its peers. However, at 2.23%, AFL's unadjusted leverage ratio as of year-end 2023 is also at the lower end of the peer group.

### **AFL's profitability remains low but its ability to break even since 2020 is testimony to the long-term sustainability of its business model**

Thanks to the progressive increase in its loan book and expansion of its membership since 2015, AFL has been able to break even from 2020 onwards, which is testimony to the long-term sustainability of its business model. Outstanding loans reached €6.6 billion at year-end 2023 after a record-high loan production of €1.9 billion in 2023.

Although commensurate with its status and low risk profile, AFL's profitability is still low as reflected by the ratio of net income by tangible assets of 6 bps in 2023 (3 bps in 2022), positioning the bank at the lower end of its main European peers.<sup>10</sup> This partly reflects the fact that AFL, although profitable, has not yet reached its optimal scale. We expect its membership to continue to increase and its revenue, underpinned by rising loan book, to continue to grow at a higher pace than costs, leading to a better cost efficiency. That being said, we believe that the progression in AFL's profitability measured in terms of net income-to-tangible asset ratio will only be very gradual and that it will ultimately be constrained by both the low margins of the public sector financing business in France and its conservative business management. The business competitiveness varies with loan demand and bank's interest. Yet, the French public sector finance sector is more competitive than its counterparts in the Netherlands and Northern Europe.

In 2023, AFL's reported net profit doubled to €5.7 million from €2.8 million in 2022. This increase essentially stems from 81% (or €3.4 million) rise in pre-provision income to €7.7 million in 2023, as the substantial progression in revenues (+€5.7 million or +33%) was only partly offset by higher operating expenses (+€2.3 million or +17%). The cost of risk of 2023 was a €0.1 million net provision release versus a net charge of €0.4 million in 2022, which also contributed to the improvement net profit in 2023.

The increase in revenues in 2023 was driven by 55% (or +€8.6 million) rise in net interest income to €24.3 million, partly offset by lower capital gain on disposal of securities (-€0.9 million) and the negative impact of hedge inefficiencies (-€1.9 million). The strong progression in net interest income was driven by (1) the material increase in the loan book (+23% in average loan balance), (2) the higher return of the portion of assets financed by the bank's equity<sup>11</sup> and that have been repricing since the rise in interest rates, and (3) improved cost of carrying liquidity. Net interest margin generated by new lending remained stable.<sup>12</sup>

Operating expenses have continued to increase at a high pace (17% in 2023 versus 11% in 2022), reflecting the bank's growing staff, external costs and investments needed to support its business development. AFL's cost-to-income ratio nonetheless decreased to 67% in 2023 from 76% in 2022 thanks to the strong increase in revenues.

### **Liquidity and market risks are limited**

So far AFL has observed the rules set out in its internal policy. AFL has complied with the minimum requirements of the liquidity coverage ratio and net stable funding ratio from day one. AFL manages its liquidity according to the following rules: (1) the liquidity portfolio should represent 100% of the net cash outflow over the next 12 months, yet with the caveat that it can fluctuate in a 80%-125% range; and (2) the balance sheet must be match funded, with a maturity gap between assets and liabilities of a maximum of twelve months, with the possibility to deviate for limited periods and to raise the limit to 2 years (making it possible to absorb the possible drift of this indicator during the production of end-of-year loans).

As of year-end 2023, the liquidity and funding metrics temporarily approached their internal limits due to the stronger than anticipated loan origination towards the end of the year. The coverage of the expected 12-month net cash outflow by the liquidity portfolio reached the lower boundary of 80% and the gap between the average maturity of assets and liabilities widened to 1.27 years. These metrics subsequently returned to normal at the beginning of 2024 as AFL issued new long-term debt. We consider that a certain level of fluctuation in these metrics within a year is inherent to the business because of the time difference between the moment AFL raises funds and the moment the loans are released. We believe that the bank's funding and liquidity remain sound as these metrics remain within the aforementioned boundaries.

As of year-end 2023, AFL's liquidity portfolio amounted to €2 billion, half of which were deposits at central banks and the other half were high quality securities. The vast majority of the securities were public sector bonds (82%). 76% of the portfolio consisted of

HQLA1 assets and 23% were HQLA 2 assets. As of the same date, the bank's liquidity coverage ratio (LCR) was 541% and its net stable funding ratio (NSFR) was 231%.

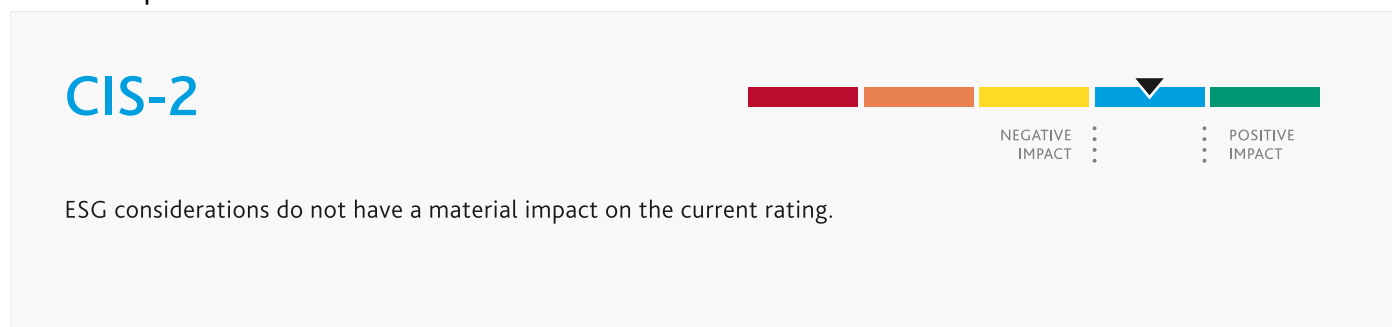
We also positively note that since June 2020, AFL has access to the central bank/Banque de France's loan refinancing system (called TRiCP - Data Processing of Private Claims) which provides it with a line of credit, available at any time, for an amount of 70% of its medium-to-long-term loans (€2.7 billion at the end of 2023).

We expect market risks to remain limited for AFL because interest rate risks are fully hedged against Euribor or €ster for some short-term exposures. This hedging strategy requires the extensive use of derivatives, and the related collateral posting needs is being closely monitored as it could involve unexpected cash outflows.

## ESG considerations

### Agence France Locale's ESG credit impact score is CIS-2

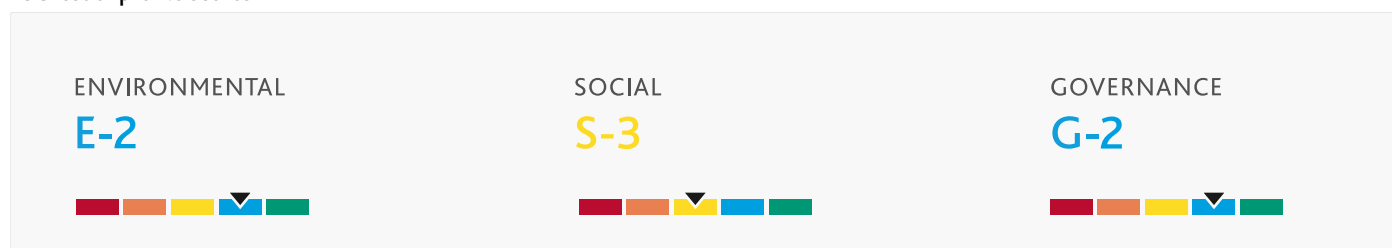
Exhibit 3  
ESG credit impact score



Source: Moody's Ratings

AFL's **CIS-2** reflects the fact that ESG considerations are not material to the rating.

Exhibit 4  
ESG issuer profile scores



Source: Moody's Ratings

### Environmental

AFL faces moderate exposure to environmental risks. Given its role as lender to the public sector, AFL's exposure to environmental risks is closely aligned to that of the French sovereign, which is low across all categories.

### Social

AFL faces moderate social risks in relation to customer relations and associated regulatory and litigation risks, which require the bank to meet high compliance standards. Customer relations risks related to mis-selling and misrepresentation are however below the industry average, as the bank has no exposures to private companies and no retail activity.

## Governance

AFL faces low governance risks. The bank's risk management policies and procedures are in line with the industry's best practices. The bank has met its financial objectives later than originally anticipated, but it managed to break even in 2020 and 2021, thereby demonstrating the viability of its business model. Ownership is concentrated within the French public sector, however the strong alignment between the bank's customers and shareholders, the large presence of independent administrators as well as the domestic developed institutional framework mitigate associated governance risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Structural and support considerations

### Loss Given Failure (LGF) analysis

Despite its ownership and public mandate, AFL falls within the scope of the EU Bank Resolution and Recovery Directive, which we consider to be an operational resolution regime. We, therefore, apply our Advanced LGF analysis to AFL's liability structure.

We believe that AFL's senior unsecured debt is likely to face very low loss given failure. This view is underpinned by the current substantial volume of senior unsecured debt compared to total liabilities. This results in a two-notch uplift to the BCA.

### Government support

The joint and several guarantee, which the member local authorities extend, up to their respective outstanding borrowings at AFL, provides adequate protection to AFL's creditors should the entity be unable to fulfill its obligations on its own. We believe that this guarantee amply covers AFL's credit risks, which are very limited, given the high quality of the loan book. Because we would generally expect AFL's lending policy to prevent the weakest borrowers from taking large amounts of debt, the most creditworthy members - the largest borrowers - would have to take a high share of the costs if the guarantee were to be activated.

At this stage of AFL's development and given its current limited market share, we believe that direct support from the French government remains moderate, essentially reflecting its willingness to avoid the reputational damage to the French sovereign and the local public sector that would result from a default of AFL.

As a result of the members' guarantee and the moderate support assumption from the central government, our government support assumption for AFL's long-term ratings is high, reflected in a one-notch rating uplift.

### Counterparty Risk Ratings (CRRs)

#### AFL's CRR is positioned at Aa3/Prime-1

The CRR for AFL, before government support, is three notches higher than the Adjusted BCA of a3, based on the level of subordination to CRR liabilities in the bank's balance sheet, and assuming a nominal volume of such liabilities.

We assume a high government support assumption for the CRRs, but because of the close links between the sovereign rating and the CRR before government support, this support does not result in any uplift.

### Counterparty Risk (CR) Assessment

#### AFL's CR Assessment is positioned at Aa3(cr)

The CR Assessment, before government support, is positioned three notches above the Adjusted BCA of a3, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss; therefore, we focus purely on subordination and take no account of the volume of the instrument class.

We assume a high government support assumption for the CR Assessment, but because of the close link between the sovereign rating and the CR Assessment before government support, this support does not result in any uplift.

## Rating methodology and scorecard factors

Exhibit 5

### Agence France Locale

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>		<b>Strong +</b>	<b>100%</b>				
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	0.1%	aa1	↔	aa2	Quality of assets		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.4%	a2	↔	a1	Expected trend	Nominal leverage	
Profitability							
Net Income / Tangible Assets	0.0%	b3	↔	b3	Return on assets		
Combined Solvency Score		a3		a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	97.5%	caa3	↔	baa2	Term structure		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	22.2%	baa1	↔	a2	Additional liquidity resources		
Combined Liquidity Score		b1		baa1			
Financial Profile				a3			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aa2			
BCA Scorecard-indicated Outcome - Range				a2 - baa1			
Assigned BCA				a3			
Affiliate Support notching				0			
Adjusted BCA				a3			
<b>Balance Sheet</b>		<b>in-scope (EUR Million)</b>	<b>% in-scope</b>	<b>at-failure (EUR Million)</b>	<b>% at-failure</b>		
Other liabilities		469	5.5%	469	5.5%		
Senior unsecured bank debt		7,877	92.1%	7,877	92.1%		
Equity		210	2.5%	210	2.5%		
Total Tangible Banking Assets		8,556	100.0%	8,556	100.0%		



Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	94.5%	94.5%	94.5%	94.5%	3	3	3	3	0	aa3
Counterparty Risk Assessment	94.5%	94.5%	94.5%	94.5%	3	3	3	3	0	aa3 (cr)
Senior unsecured bank debt	94.5%	2.5%	94.5%	2.5%	2	2	2	2	0	a1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	0	Aa3	Aa3
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Senior unsecured bank debt	2	0	a1	1	Aa3	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 6

Category	Moody's Rating
<b>AGENCE FRANCE LOCALE</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating -Dom Curr	Aa3
Bkd Senior Unsecured	Aa3
ST Issuer Rating -Dom Curr	P-1

Source: Moody's Ratings

## Endnotes

- [1](#) Under the banking law of July 26, 2013, AFL's mandate consists of extending loans to a restricted list of local authorities. AFL was granted a banking license as a specialized credit institution on January 12, 2015.
- [2](#) Except for the borrowers whose outstanding debt is below €10 million.
- [3](#) Membership is contingent upon local governments committing to injecting specified amount of capital into the group over a five-year period.
- [4](#) The outstanding debt balance of the French local authorities totaled €207 billion as of year-end 2022, and was 33% composed of groupings of local authorities (including syndicates), 34% of municipalities, 17% of regions and 15% of departments.
- [5](#) Total capital requirement is comprised of 8% Pillar 1 requirement, 1.25% Pillar 2 requirement, 2.5% capital conservation buffer and 0.23% CCyB.
- [6](#) The internal threshold was raised to 13% from 31 March 2024.
- [7](#) Loans to customers grew by 40% to €6.6 billion over the period.
- [8](#) Following a new banking regulation which came into force in July 2021 ([Regulation \(EU\) 2019/876 of the European Parliament](#) and of the Council of May 20, 2019 amending Regulation (EU) No. 575/2013 known as the Capital Requirement Regulation), and since AFL has been acknowledged as a public development credit institution by ACPR on 11 March 2021, exposures to central governments, regional governments, local authorities or public-sector entities in relation to public-sector investments and promotional loans/activities are excluded from the denominator of the regulatory leverage ratio.
- [9](#) Committed capital corresponds to the amount of capital contributions to be paid by the members member and which is agreed upon at the time they join AFL-ST.
- [10](#) In 2022, SFIL, NWB Bank and BNG Bank's net income-to-tangible asset ratios were 13 bps, 20 bps and 27 bps respectively
- [11](#) These assets bear fixed interest rates and are not hedged against interest rate risks
- [12](#) As a reminder, AFL hedges the interest rate risk stemming from its lending activity and securities portfolio excluding the portion of assets financed by its equity. The net interest margin on the vast majority of the portfolio is therefore immune from moves in interest rates.

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