



**BUSINESS REVIEW
AND SUSTAINABLE
DEVELOPMENT REPORT**

2023

THE BANK THAT CHANGES BANKS

WE ARE THE VOICE OF AFL



"The ecological transition means a multitude of projects, despite the challenges of financing them. One of our current flagship projects is a second tram line. After the first line, which cost around €400 million, the second requires a little over €200 million, with commissioning planned for the start of 2026. AFL is one of us. Every local authority in France and Navarre should join."

François Cuillandre,
Mayor of Brest and Chair of the Brest Metropolitan Area (29)

"We are planning an important project for the municipality: the construction of a school building. We talked to AFL and the terms were very reasonable and advantageous for us."

Hélène Camplo-Robert,
First Deputy Mayor of Mons (31)
in charge of Finance



"Anse-Bertrand is a tourist town of 4,600 inhabitants in the north of Guadeloupe. The municipality has signed a "Positive energy and green growth region" contract with the Ministry for Ecology, which includes a program to replace public lighting with LED lights, the purchasing of electric cars for the town council and the building of a Creole garden at a school. AFL has helped me to finance no fewer than four projects on good terms."

Edouard Delta,
Mayor of Anse-Bertrand (971)

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After two years dominated by Covid-19, followed by the invasion of Ukraine at the start of 2022, the global economic and financial environment has experienced a major upheaval.

Against this backdrop, local authorities have been up against a two-fold challenge: firstly, investing in the ecological transition in a world where adapting to climate change is becoming as vital as its mitigation. Secondly, dealing with the increasing scarcity of public funds at a time when inflation has led to a rise in public spending.

Given these difficulties, borrowing activity was particularly high during the past year, and AFL was able to effectively meet local authorities' financing needs and expectations despite the surge in interest rates.

The focus was on three main areas of action in 2023:

The first was AFL playing its role as a financial backer of local government. With nearly 800 shareholder authorities representing close to 25% of local debt, and €1.9 billion of loans granted in 2023, AFL has been there for its customers, covering 55% of its members' needs over the year. AFL has raised €2.1 billion on the bond market, enabling it to grant loans to its members on competitive terms.

Its second area of action was meeting its member authorities' expectations in terms of sustainable financing. Rather than limiting its financing to certain types of investments, or increasing margins on loans not directly financing projects considered to be "green", AFL tries to help meet all of the local authorities' needs, at the best price. AFL does not offer complicated green loans or impact loans, but financing from investors wanting to allocate

their funds to social and environmental investments that benefit local residents.

The third area of action was providing the necessary solidity and robustness to local authorities in a fluctuating and uncertain environment. This solidity is underlined by AFL's record results, with net banking income of €23.4 million and consolidated net income of €5.7 million, consolidating the equity required for the increase in its activities. Its €294 million of pledged capital also confirm this solidity.

After showing its resilience in a very low interest rate environment, AFL's model is now demonstrating its appeal and ability to perform in an environment of positive interest rates. The local authorities can be proud of the platform that they created 10 years ago.



Olivier Landel,
Chief Executive
Officer of AFL-ST



Yves Millardet,
Chair of AFL's
Executive Board

A WORD FROM THE CHAIRPEOPLE

Studies of the financing needed to support the ecological transition report that these needs will come up against an investment wall of around €15 billion by 2030. Our local authorities are at the forefront of efforts to meet this challenge, as 75% of the factors for the success of the ecological transition rely on local measures.

By definition, though, the investment needs and capacities involved for each of our local authorities differ according to the financial health of each local authority and the local issues to be addressed.

AFL, the platform that we have created to finance our investments, is there to assist us.

Above all through its financing solutions: €1.9 billion of loans were granted in 2023. As the preferred choice in 85% of the consultations that it has taken part in, the local authority bank has become the third largest bank lender to local authorities (source: Finance Active).

It also assists us with its expertise: through a study on the energy renovation of buildings, including a version specific to small towns, and its barometer of local authorities' financial health, in its many iterations. These publications are a valuable guide for the local authorities as they decide on their financing strategies.

Finally, it assists us with its unifying model created in our image. Created in our image as, together with all the shareholder authorities, we wanted AFL to act as a responsible bank that is the embodiment of responsible finance. AFL has indeed continued to roll out its CSR roadmap, by clarifying its governance, carrying out a new carbon footprint assessment, mapping environmental risks and publishing a gender equality index.

This model also unifies us as it is open to all local authorities, both big and small, urban and rural, and in mainland France and overseas. Every day, AFL builds on its purpose of increasing local authorities' ability to act to meet the needs of local people. The record number of new local authorities that became members in 2023 shows that the model we wanted was the right one. It has met, is meeting, and will continue to meet, the expectations of local authorities, regardless of the context.



Marie Ducamin,
Chair of AFL-ST's Board
of Directors,
Vice-Chair of Rennes
Metropolitan Area and
Mayor of Saint-Jacques-
de-la-Lande.



Sacha Briand,
Chair of the
Supervisory Board of
AFL,
Vice-Chair of the
Toulouse Metropolitan
Area in charge of
Finance, Deputy
Mayor of Toulouse and
member of the Trade
Union Committee of
Tisséo Collectivités.

HIGHLIGHTS OF 2023

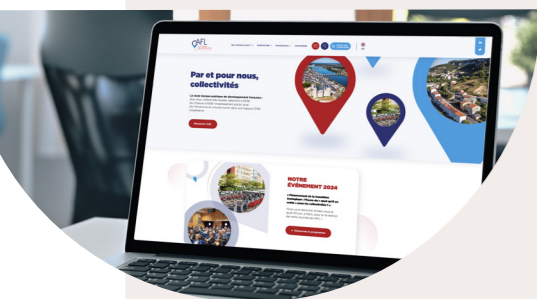


JANUARY

- › AFL began its eighth year of activity, with **599 member authorities** and more than €7 billion of loans granted since 2015.
- › AFL raised €750 million on the bond market.
- › AFL and CNFPT signed a three-year master agreement.

FEBRUARY

- › AFL published its second report on the allocation of its sustainable bonds.
- › AFL launched a special initiative to raise its profile in the Occitanie region throughout the year.



MARCH

- › AFL published its annual results for 2022, setting a new record.
- › AFL unveiled its new website.

APRIL

- › A new study published with INET: the energy renovation of public buildings.
- › AFL published its ethics charter.



Election of Marie Ducamin as Chair of the Board of Directors

MAY

- › AFL elected a new Board of Directors: Marie Ducamin, Vice-Chair of Rennes Metropolitan Area and Mayor of Saint-Jacques-de-la-Lande, was elected Chair.
- › AFL successfully launched a second 15-year public bond issue of €500 million.
- › The annual meeting of LGFAs [Local Government Funding Agencies] from around the world was organized at AFL's offices in Lyon.

JUNE

- › Organization by AFL of its annual day for member authorities and partners addressing a given theme: "avoiding the unmanageable and managing the inevitable".
- › Fourth edition of the AFL barometer of the financial health of local authorities.

JULY-AUGUST

- › Olivier Landel left France Urbaine and became Chief Executive Officer of AFL-ST on a full-time basis.
- › Filming of videos in Occitanie with member authorities.

SEPTEMBER

- › AFL published its half-yearly results confirming steady development.

OCTOBER

- › AFL attended the annual events of the national associations of elected representatives that it partners.



Strategy seminar for the two Boards in the presence of François Hollande

NOVEMBER

- › The members of the Board of Directors and the Supervisory Board came together at a seminar to discuss AFL's strategic priorities.
- › First regional day dedicated to AFL, attended by local authorities and partners of the Occitanie region in Toulouse.
- › AFL participated in the AMF's Mayors' Tradeshow & Conference, continuing its efforts to become better known to local authorities.
- › Publication of a third barometer of the financial health of the "Small towns of tomorrow", in partnership with ANCT and APVF.

DECEMBER

- › Publication of a study exploring the energy renovation of public buildings in small towns, in partnership with APVF.
- › AFL participated in the ETS regional government conference in Strasbourg and, together with students from INET (the National Institute for Local Studies), presented a new study on the financing of the water cycle.
- › Record end of year for AFL, with 177 new shareholder authorities and €1.9 billion of loans granted.



AFL Day in Occitanie

AFL: THE RESPONSIBLE BANK THAT BELONGS TO US, THE LOCAL AUTHORITIES

As a public development bank, our bank, AFL, is unique in that it was created by and for our local authorities as part of a cooperative approach that drew its inspiration from the Nordic countries.

We, as local authorities, are its sole shareholders, sole beneficiaries and sole guarantors.

AFL'S PURPOSE

In line with the provisions of the Pacte law, AFL adopted a corporate purpose at the end of 2019. This has been included in the Articles of Association of AFL and AFL-ST since May 28, 2020.

This purpose reflects the AFL Group's mindset.

Embodying
sustainable finance
to increasingly
empower local government
in order to meet
the present and future needs of local residents

AFL was given public development lending institution status by the French banking supervisor (ACPR) in 2021.

The decisive criteria for eligibility for this status include "not having a purpose of maximizing profits or market share"

AN ETHICS CHARTER TO ASSERT AFL'S GUIDING PRINCIPLES

As required by our public shareholders, AFL's directors and managers share two convictions:

-) A commitment to responsible finance as an ambition to be pursued every day by everyone.
-) AFL's success is due to the women and men whose professional skills, work and integrity enable its development.

AFL has therefore laid out its commitments and its values through an ethics charter and an ethics manual that serve as references for guiding principles and rules of good conduct, and through a set of internal policies. These are the basis for every decision, every day, and are proof that AFL is the embodiment of responsible finance, in keeping with the spirit in which it was created.



THREE KEY VALUES

In December 2020, AFL-ST's Board of Directors selected three values that are intended to underpin its operations and guide its activities. These values are as follows:



Expertise

AFL provides its expertise for our benefit, in areas such as local public finances and the financing of the ecological transition. By drawing on its teams' knowledge of the financial markets, AFL optimizes the financing costs of our local authorities.



Solidarity

As a grouping bound by solidarity within AFL, we, the member authorities, wish to secure financing for our projects. We are all in it together, whether small or large, rural or urban, in mainland France or overseas.



Transparency

As the sole shareholders, we, the local authorities, drive AFL's strategies. We have completely transparent access to information, about AFL's financial position and rating, and the bank's operations.



A UNIQUE GOVERNANCE MODEL



The AFL Group's governance is based on a two-level structure, ensuring a separation of powers between the lending institution and its parent company with the aim of:

- › **Defining strategy and implementing it**, regularly reviewing it and monitoring its implementation;
- › **Preventing the risk of conflicts of interests** with local authorities, which are both shareholders and borrowers;
- › **Ensuring the accountability** of all stakeholders through control mechanisms;
- › **Ensuring consistency** between the strategic decisions made by the holding company (ST) and the operational management carried out by the lending institution subsidiary.

THE SOCIÉTÉ TERRITORIALE (AFL-ST): THE FINANCIAL HOLDING COMPANY

ITS SHAREHOLDERS:

Exclusive ownership by member authorities, who together own **100%** of the shares: municipalities, departments, regions, inter-municipal groupings of local public institutions (with or without their own taxation), regional public institutions and local public institutions

ITS MISSION:

- › Promotion of the AFL Group, in particular to the local public sector, and representation of the interests of member authorities
- › Management of AFL Group membership
- › Defining of the AFL Group's major strategic priorities
- › Management of the double guarantee system set up within the AFL Group.

THE SUPERVISORY BOARD

- ▶ **3 junior high schools**
- ▶ **13 local authorities represented**

AGENCE FRANCE LOCALE (AFL): THE LENDING INSTITUTION

ITS SHAREHOLDERS:

More than 99.9% owned by the Société Territoriale

ITS MISSION:

- › Operational management of the AFL Group
- › Securing of financing on the markets
- › Granting of loans to member authorities

THE SUPERVISORY BOARD

- ▶ **12 qualified individuals including**
- ▶ **9 independent directors**



COMPOSITION OF THE BOARD OF DIRECTORS OF AFL-ST AT DECEMBER 31, 2023

Marie Ducamin Chair
Sacha Briand Vice-Chair

REGIONAL BLOCK

PAYS DE LA LOIRE REGION

Didier Reveau - Regional Counsellor

OCCITANIE REGION

Stéphane Béard - Regional Counsellor

NOUVELLE AQUITAINE REGION

Sandrine Derville - Vice-Chair in charge of Finance, Administration, Modernization and Open Government

DEPARTMENTAL BLOCK

ESSONNE DEPARTMENT

Nicolas Samsoen - Vice-Chair in charge of Finance and Public Policy Effectiveness

SAVOIE DEPARTMENT

Luc Berthoud - Vice-Chair in charge of Housing, Social Cohesion and Inclusion

MUNICIPAL BLOCK

AIX-MARSEILLE-PROVENCE METRO

Didier Khelfa - Vice-Chair in charge of the Budget, Finance, Financial Strategy and Contractualization with the State and local authorities

LYON METROPOLITAN AREA

Bertrand Artigny - Vice-Chair in charge of Finance

GREATER NANCY METROPOLITAN AREA

Pierre Boileau - Vice-Chair in charge of Relations with Neighboring Regions

GRAND BOURG CONURBATION

Bernard Bienvenu - First Vice-Chair in charge of Municipal Services and Decentralization

SUBURBAN COMMUNITY OF LA ROCHE-SUR-YON

Luc Bouard - Chair

MAREAU-AUX-PRÉS MUNICIPALITY

Bertrand Hauchecorne - Mayor

BUSCHWILLER MUNICIPALITY

Christèle Willer - Mayor

MUZY MUNICIPALITY

Bernard Andrieu - Municipal Counsellor, member of the Finance Committee

THE SENIOR MANAGEMENT

Olivier Landel Chief Executive Officer
Yves Millardet Deputy Chief Executive Officer

COMPOSITION OF AFL'S SUPERVISORY BOARD AT DECEMBER 31, 2023

Sacha Briand Chair
Marie Ducamin Vice-Chair

Julien Denormandie - Chief Impact Officer of Sweep

Sophie Souliac-Dallemagne - Chief Executive Officer of Hiram France

Sophie L'Hélias - Founder and Chair of LEADERXXCHANGE

Lars Andersson - Founder of Kommuninvest

Victoire Aubry-Berrurier

François Drouin - Chair of ETI FINANCE

Nicolas Fourt Deputy Chief Executive Officer of Sienna Private Credit (until April 2024)

Delphine Cervelle Director General of Services for the Town of Saint-Ouen

Rollon Mouchel-Blaisot - (until 11/21/2023) - Prefect

Marie Lemarie - Chief Executive Officer of Scor Ireland

Olivier Landel - Chief Executive Officer of AFL-ST

Lydie Assouline - (Non-voting member since 12/04/2023) Senior Advisor at Blackfin

THE EXECUTIVE BOARD AT DECEMBER 31, 2023

Yves Millardet - Chair of the Executive Board

Ariane Chazel - Head of Commitments and Risks, Climate and Sustainable Finance

Laurence Leydier - Head of Membership and Lending

Thiébaut Julin - Chief Financial Officer

SPOTLIGHT ON CSR GOVERNANCE

Corporate responsibility is deeply rooted in our bank's DNA and, as such, CSR considerations are embedded within our decision-making process. All governing bodies are therefore involved in the governance of CSR issues as part of their duties.

AT AFL-ST LEVEL

Work in 2023 focused on enhancing governance, with a view to clarifying roles and responsibilities with regard to CSR.

The role of the Board of Directors is central: it determines the CSR strategy, assisted by the Remuneration and Corporate Governance Committee and the Audit and Risk Committee within their respective scopes.

The CSR strategy is submitted every three years to the General Meeting of Shareholders, which is attended by all the representatives of the member authorities.

AT AFL LEVEL

The Supervisory Board (CS) sets AFL's multi-annual strategic CSR priorities and its action plan. It also evaluates the results achieved. The SB approves the ethics charter and its various implementing policies.

It is assisted by three committees:

- › The Strategy Committee, which has become the Strategy and Responsible Commitments Committee. This committee handles the defining and deployment of AFL's Climate and Sustainable Finance Roadmap;
- › The Remuneration, Appointment and Corporate Governance Committee handles compliance, ethics, governance and remuneration issues on behalf of the SB;
- › The Audit and Risk Committee handles risk management issues on behalf of the SB.

FINALLY, INTERNALLY

A CSR, Climate and Sustainable Finance Committee has been created to steer the dedicated roadmap. Meeting quarterly, it brings together the members of the Management Board and employees from all the departments.

The committee is overseen by the Head of Commitments and Risk, Climate & Sustainable Finance, who steers the initiatives conducted under the Climate and Sustainable Finance CSR Roadmap. She is also directly responsible for risk management and compliance. Considering that corporate responsibility standards are highly intertwined within the Group, each department is in charge of the initiatives within its field of action.



"With the help of our climate and sustainable finance roadmap structured in line with the recommendations of the TCFD (Task Force on Climate Related Financial Disclosures), our aim is for AFL to fully achieve its public policy mission focused on the general interest, thereby making it an effective platform available to local authorities, for the financing of the energy and climate transitions, as we intended and planned for it to be".

Ariane Chazel, Head of Commitments & Risks, Climate & Sustainable Finance.



SPOTLIGHT

SPOTLIGHT ON THE SEMINAR FOR THE TWO BOARDS

The Strategy Seminar for the two Boards was a pivotal moment in the Group's history, being attended by members representing the shareholder authorities on AFL-ST's Board of Directors and banking and finance expert members of the AFL's Supervisory Board. It was held in November 2023.

A day of discussions and exchanges of contributions

Thanks to in-depth discussions and exchanges of perspectives on the strategy followed by AFL, the event succeeded in demonstrating the commitment of each and every person to a bank that is there for the benefit of our French local authorities. This year, it was held on Monday, November 20 at the Maison de la RATP in Paris.

The agenda included the consideration of:

- › AFL's role in the transitions
- › A look back at 10 years spent building AFL
- › The avenues for future development
- › AFL's contribution to public debate

A unique contribution from François Hollande, President of the French Republic (2012-2017)

In 2013, a major political impetus was needed to bring the local authority bank to fruition. This impetus was created by the President of the French Republic, François Hollande. As a result, the Banking Activity Ringfencing Act of summer 2013 included the creation of a bank owned by our French local authorities and entirely dedicated to us. He came to re-explore the origins of the idea and declared AFL to be a permanent institution.



A CONTROLLED RISK APPETITE



We, as local authorities, wanted AFL to be able to conduct its activities while adopting a prudent mindset aligned with the practices of its sister entities in Northern Europe. Risk-taking is nevertheless inherent to banking. AFL sets limits on its financial strategy and risk appetite that provide safeguards for its activities. These are validated and reviewed once a year by AFL-ST's Board of Directors and AFL's Supervisory Board, assisted by their Audit and Risk Committees.

The bank's strategy in terms of loans, credit risk management, the management of risks related to market activities, appetite for non-financial risks and capital ratio thresholds is in this way clearly defined. Considering that future environmental and climate changes will have a bearing on risk-taking, AFL's appetite for risk is gradually integrating environment-related risk factors.

COMPLIANCE WITH THE BANKING REGULATIONS: A KEY CONCERN

Compliance plays a crucial role within the banking sector, as a complex and highly regulated industry that has a major impact on the economy. AFL was established by local authorities to create a bank aligned with the best compliance standards. Training and awareness campaigns are regularly organized for staff. AFL has introduced an alert and whistle-blowing mechanism.

Regulatory compliance covers the following areas in particular:

- › Compliance with the laws and regulations issued by national and international authorities;
- › Financial integrity: the fight against money laundering and terrorist financing, and the management of conflicts of interests and insider information;
- › The protection of customers: transparency with regard to practices and products, respect for customers, data confidentiality and the protection of personal data;
- › A code of conduct and ethics.



SPOTLIGHT

SPOTLIGHT ON FINANCIAL INTEGRITY

Preserving market integrity maintains investors' confidence, fosters financial stability, and guarantees that capital markets operate efficiently.

To this end, information flows within AFL are managed with the greatest care:

- › confidential information is protected by professional secrecy, or covered by regulations on the prevention of market abuse. AFL has also drawn up procedures governing the identification, control and disclosure of inside information in accordance with the recommendations issued by the authorities. This notably involves setting up information silos and managing insider lists. The goal is to prevent the disclosure and potential use of insider information that could lead to market abuse and/or insider dealing.
- › the transparent disclosure of accurate, precise and correct information to AFL's stakeholders. This includes financial information, such as the company's performance and risk factors, in accordance with the applicable regulations.

SPOTLIGHT ON THE PROTECTION OF CUSTOMERS

We, as public authorities, are both the shareholders and the customers of our bank. Customer protection is one of the bank's core principles and takes the form of a set of procedures governing all stages of the relationship: from pre-contractual information to monitoring the loan. Each of our team members is bound by the duty to safeguard the interests of the customer, to disclose clear, correct, and exhaustive information, and to prevent any risks of conflicts of interests. In accordance with the applicable regulations, any local authorities can lodge a complaint with the Commitments & Risks Department, which will deal with each request diligently.



FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING (AML/CFT)

Being subject to the banking regulations, AFL has set up a mechanism for the fight against money laundering and the financing of terrorism, and to ensure compliance with international embargoes and sanctions.

At AFL, this issue is covered by a governance process, a policy and specific procedures aimed at:

- › ensuring that customers and business partners are known and well identified (KYC);
- › monitoring the business relationship;
- › detecting high-risk transactions;
- › carrying out screening based on national and international lists of asset freeze targets;
- › reporting information to regulatory and judicial authorities;
- › conducting permanent controls and periodic audits of the AML/CFT mechanisms in place;
- › providing information and training courses to AFL employees.

A STREAMLINED OPERATING MODEL

WHERE DOES THE MONEY COME FROM?

◆ EQUITY CAPITAL ◆

294 MILLION
euros of capital pledged by shareholder

◆ THE BOND MARKET ◆

+ THAN 10 BILLION
euros raised on the financial markets since 2015

MORE THAN 300
investors

2.1 BILLION
euros raised in 2023



WHERE DOES THE MONEY GO?

◆ OUR SHAREHOLDER AUTHORITIES AT DECEMBER 31, 2023 ◆

776
LOCAL AUTHORITIES

- 5 Regions
- 13 Departments
- 2 French overseas authorities
- 15 Metropolitan areas
- 9 Urban communities
- 40 Suburban communities
- 59 Municipal communities
- 6 Public regional institutions
- 45 Inter-municipal and joint local and regional authorities
- 582 Municipalities

64%
of the French population live in a local authority that is a member of the AFL

25%
AFL members' share of local public debt

177 local authorities became shareholders in 2023

Our smallest member at December 31, 2023

Aulan (26): 9 inhabitants

Our largest member at December 31, 2023

Nouvelle-Aquitaine Region: 6 million inhabitants

IN 2023

NEARLY 1.9 BILLION
euros of loans were granted

511
loan agreements were signed

332
authorities borrowed from AFL

85%
of the time, AFL was chosen in consultations

55%
was the financing market share for AFL members in 2023

A total market share estimated at more than 8% in 2023, making AFL the 3rd largest bank lender to local authorities (source: Finance Active).

Our smallest loan in 2023
€10,000

Our largest loan in 2023
80 million euros

WHAT IS THE MONEY FOR?



A RESOLUTE COMMITMENT TO THE ECOLOGICAL TRANSITION FROM OUR LOCAL AUTHORITIES

OVERVIEW OF THE FRENCH LOCAL AUTHORITIES' AREAS OF EXPERTISE



Municipality groupings and unions

- › Town-planning
- › Transport
- › Water and sanitation
- › Waste management
- › Connections to the electricity grid
- › Digital
- › Etc.

Local public institutions

- › Managing public services on behalf of local authorities in fields such as fire prevention, social care, cultural activities, and so on.

Municipalities

- › General expertise at local level (mainly regarding housing, the environment, schools, childhood and early childhood, social support, etc.)

Regions:

- › Economic development
- › Transport
- › High schools

Departments

- › Social action
- › Roads
- › Junior high schools

OUR LOCAL AUTHORITIES AT THE HEART OF THE ECOLOGICAL TRANSITION

We, as local authorities, are first in line to support the transitions through the investments we make, accounting for more than 65% of public investment in France.

We implement climate change adaptation and mitigation policies, as well as broader environmental initiatives across the country, for which we are held accountable by our voters.

Our investments aim to foster the development of public services and facilities that will benefit local inhabitants.



LOCAL AUTHORITY COMMITMENTS TO THE NATIONAL LOW CARBON STRATEGY

2010

Obligation for local authorities to produce and present a report on the sustainable development situation ahead of the debate on budget guidelines (DOB).

2015

Signing of the Paris Agreement, in which countries undertook to limit the average temperature increase to 2°C. Adoption of the first National Low Carbon Strategy, aimed at reducing greenhouse gas emissions by a factor of four by 2050. This strategy applies to all local authorities at regional and inter-municipal level.

Introduction of Regional Climate, Air and Energy Plans (PCAET), which are strategic and operational planning tools that allow local authorities to achieve the following targets: the reduction of greenhouse gas emissions, adaptation to the effects of climate change and the improvement of air quality.

2017

The Climate Plan set more ambitious targets for France, including achieving carbon neutrality by 2050.

2019

Enshrining of the carbon neutrality target in law in the energy and climate act.



SOME EXAMPLES OF ACTIONS BY LOCAL AUTHORITIES TO CONTRIBUTE TO THE NATIONAL LOW CARBON STRATEGY

The energy renovation of buildings

The Tertiary Eco-Efficiency Mechanism (DEET) imposes the reduction of the energy consumption of buildings by 40% by 2030, by 50% by 2040, and by 60% by 2050 compared with 2010, and covers all buildings or premises used for business or tertiary purposes whose surface area is greater than or equal to 1,000m².

The reduction of the artificialization of soils

The Climate and Resilience Act adopted in 2021 set a target, for 2023, of halving the rate of artificialization compared with the use of spaces seen since 2010, and achieving zero net artificialization (ZAN) by 2050.

Energy efficient public lighting

The Environment Code identifies systems to which a policy applies intended to prevent, reduce and limit energy consumption.

The greening of the vehicle fleets of local authorities

Article 76 of the Transport Strategy Act (LOM) imposes a minimum proportion of low carbon footprint vehicles when local authorities purchase or replace vehicles from their fleets.

The introduction of low emission zones (LEZ)

The Climate and Resilience Act extends the obligation to introduce an LEZ to local authorities with more than 150,000 inhabitants. The producing of a local sustainable transport policy: the Transport Code makes the producing of a Transport Plan mandatory for AOMs (Transport Organizing Authorities) whose regional scope includes more than 100,000 inhabitants.

The decarbonization of mass catering

The Egalim Act adopted in 2018 sets a target of a rate of provision of 50% responsible, high quality products, including 20% organic products.

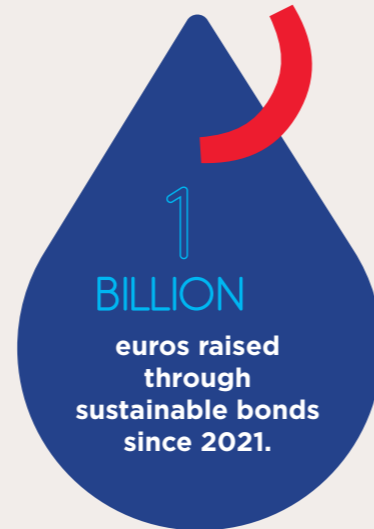
A BANK INVESTED IN INCREASINGLY SUSTAINABLE REGIONAL DEVELOPMENT

Our local authorities are largely committed to the ecological transition. We intend for our bank to support us on this pathway:

- › by funding our investments at the best price,
- › by sharing its expertise in the issues that concern us,
- › by embodying this pathway in its own operations.

Embodying sustainable finance: this is the objective that our local authorities have chosen for their bank.

In line with our ethical and responsible commitments, our bank, AFL, has set up a sustainable financing system for our local authorities' projects through an innovative mechanism.



WHAT MECHANISM?

AFL has put the sustainable expenditure in the main budgets of shareholder authorities with more than 3,500 inhabitants into three main investment categories:

- 1 Access to essential and basic social services (education and culture, employment, access to essential health services, social inclusion);
- 2 The energy and ecological transition (low-carbon public transportation, pollution prevention and control, renewable energy, etc.);
- 3 Sustainable infrastructure, cities and regional cohesion (sustainable water management, accessible housing, sustainable and accessible infrastructure).

SUSTAINABLE BOND ISSUES

To finance the investment expenditure categorized as above, AFL has introduced a program of sustainable bond issues.

› Who are the investors targeted?

Investors specializing in sustainable financing, or who wish to allocate their savings to investments aimed at the ecological transition.

› What are the advantages of this mechanism?

AFL's methodology gives all of its members direct access to sustainable refinancing, and not just the largest local authorities. It also serves the entire structure, and therefore all of its shareholders, by contributing to the refinancing of AFL.

› Is the mechanism recognized?

In January 2020, Moody's (formerly Vigeo Eiris) reviewed the system put in place and found that it was aligned with the last version, of June 2018, of the four main principles applicable to green and social bonds, and reported "reasonable assurance" (the highest level of assurance) as to AFL's commitments.

Lille European Metropolitan Area (59)

Modernization of waste sorting and treatment equipment to reduce non-recovered waste



Essonne Department (91)

Energy renovation of schools and other buildings



Suburban Community of the Bassin de Bourg-en-Bresse (01)

Construction of a green cycle path to promote cycling



Ilewa - Joint Waste Treatment Union (974)

Construction of the household waste recycling center RUN'EVA covering Réunion Island's needs



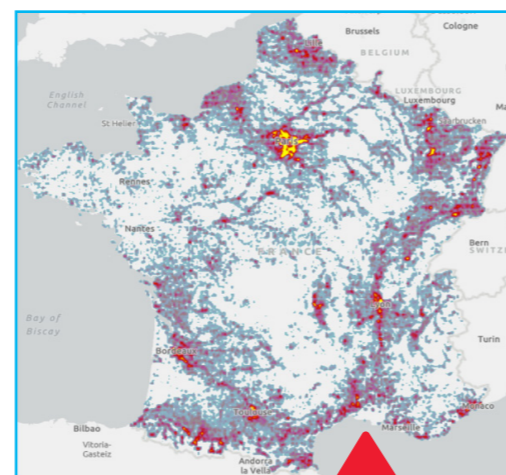
Montreuil municipality (93)

Planting of trees to create cool areas in the town's various districts

THE INTEGRATION OF CLIMATE RISK IN THE BANK'S ACTIVITIES

INTEGRATION OF THE CLIMATE RISKS BEING FACED BY LOCAL AUTHORITIES IN THE LOAN APPROVAL POLICY

- › To meet a regulatory requirement that came into force on June 30, 2021, applicable to all lending institutions since June 30, 2022;
- › Because climate events may have an impact on the budgets of French regional authorities;
- › Because the risks will increase in the coming years (according to bodies such as the IPCC, the ACPR and France Assureurs) and need to be more closely considered in the assessment of credit risk by banks;



AFL has created a “climate indicator” methodology based on an analysis on a scale of 100 to assess climate risk and integrate this approach into the credit risk analysis for each local authority.

The research conducted by AFL has taught us the following:

- › Most municipalities are not very vulnerable at this stage (indicator < 20/ 100);
- › A minority are already particularly exposed (indicator > 50/ 100);
- › The levels of exposure are usually high around large conurbations.

AFL'S CLIMATE AND ENVIRONMENTAL RISK MAPPING

AFL mapped its climate risk in 2023.

Why?

- › To identify the potential impacts of climate change on AFL's risk profile over the medium- and long-term;
- › To be able to adapt our policies and protect the bank if these risks materialize.

Key takeaways from the climate risk mapping

Climate change will have consequences for the population and infrastructure. These will require substantial investments aimed at adapting our territories to the consequences of climate change, but also at mitigating its impacts. Governments and regional authorities are on the front line, partially funded by banks and capital markets. AFL's stakeholders therefore have growing expectations:

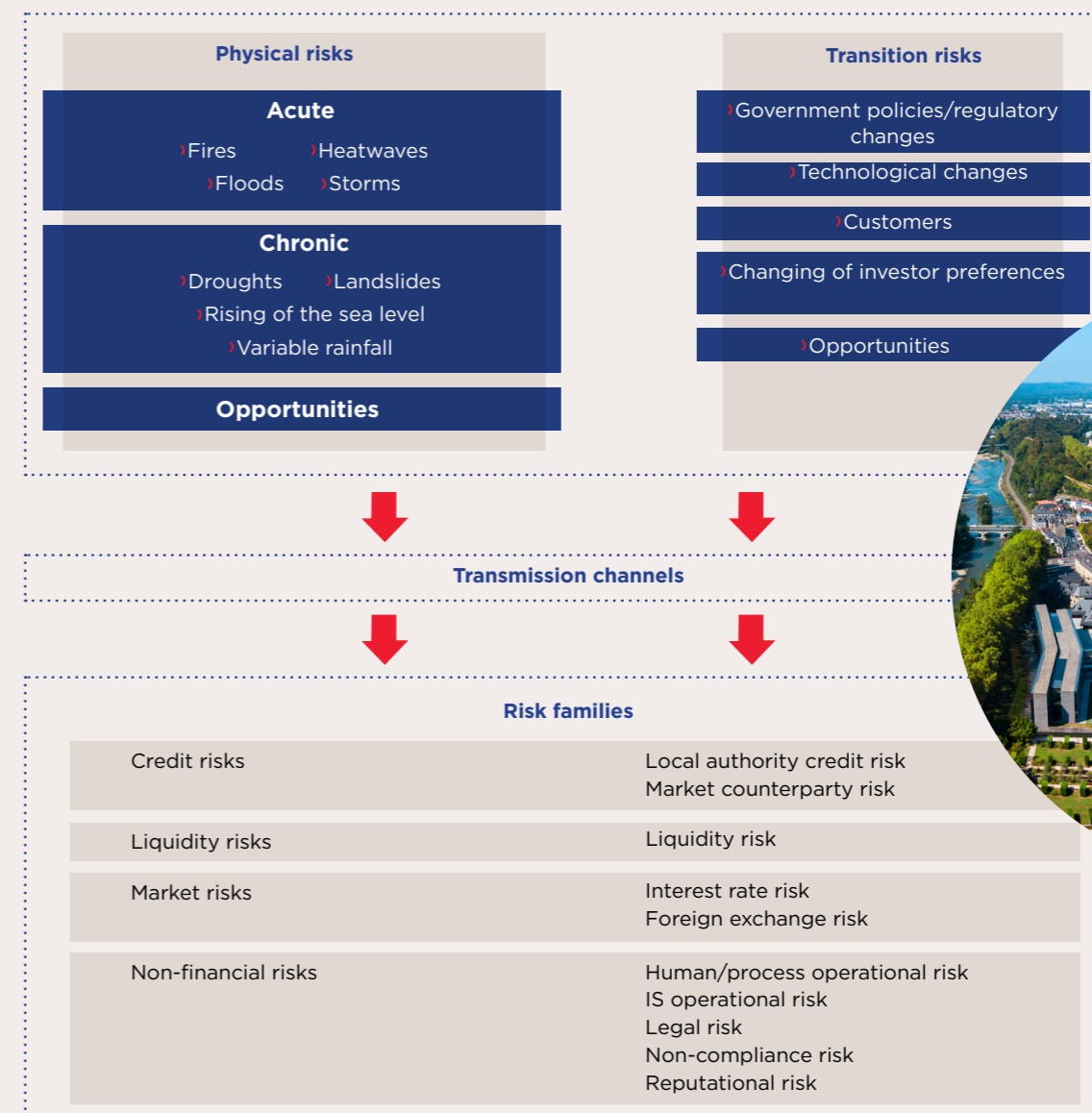
We, as local authorities, are mindful of ensuring that our bank, and our other partners within the banking industry, are truly aligned with the CSR pathway that we have set for our regions;

The appetite shown by investors for issuers who integrate ESG considerations has changed the environment in which AFL operates;

The regulatory authorities have growing requirements in terms of climate and environmental risks, traceability, and transparency;

What are the challenges for AFL?

AFL believes that the challenges include adequate action planning, in order to ensure compliance with the regulations and meet stakeholder expectations while keeping the costs of initiatives under control (for local authorities and for AFL), and avoiding greenwashing.



ASSISTANCE WITH FINANCING FOR LOCAL GOVERNMENT

As a bank 100% dedicated to financing local public investment, AFL only finances public interest projects.



Saint-Hilaire municipality (31)
Renovation and extending of the state school



Syaden (11)
Roll-out of fibre optic cables within the department

INSTITUTIONALIZATION IN LOCAL GOVERNMENT

As a partner of national associations of elected representatives for many years, AFL signed and deployed several major partnerships with leading national associations in 2023, including:

- **CNFPT**, through a three-year master agreement. This agreement establishes the joint actions carried out by the two institutions over the long term, and asserts AFL's unique place in the local public ecosystem.
- **Intercommunalités de France**, through an agreement on expertise allowing AFL to make French EPCIs (groupings of municipalities) aware of its model at the association's annual conference held in Orléans.



EXPERTISE FOR THE BENEFIT OF LOCAL AUTHORITIES

In addition to its role as a local authority financial backer, in 2023 AFL developed its expertise for the benefit of our local authorities, particularly through:

The publication of several studies on the energy renovation of buildings, including one specifically dedicated to small towns, in partnership with the association of small French towns (APVF).



These studies have been the subject of publications, and a number of webinars and presentations, by invitation from AFL's partners or during events organized or co-organized by AFL.

The publication of the fourth AFL barometer of local authorities' financial health, and a specific version for the "small towns of tomorrow";



SPOTLIGHT

SPOTLIGHT ON "JOURNÉE DE L'AFL"

A platform for elected representatives

AFL brought together more than 140 of its members, partners and counterparts on Thursday, June 15, 2023 at the Maison de la RATP, for its annual day, dedicated to a highly topical theme: Avoiding the unmanageable and managing the inevitable: do local authorities have the resources to manage the necessary ecological transition? The President of the Cour des Comptes, Pierre Moscovici, gave the opening address. He was in fact the Finance Minister when the Banking Activity Ringfencing Act was passed on July 26, 2013.

The financial health of local authorities

The revealing of the 2023 AFL Barometer of the financial health of local authorities allowed the elected representatives and regional managers present to clarify this global overview. These included Bertrand Hauchecorne, Mayor of Mareau-aux-Prés, Marie Ducamin, Vice-Chair of Rennes Metropolitan Area and Chair of the Board of Directors of AFL, Romain Colas, Mayor of Boussy-Saint-Antoine, and Katell Parent, Chief Financial Officer for the Grand Est Region.

Spotlight on the ecological transition

The issue of investments for the ecological transition by local authorities was addressed at length, by the Minister for the Ecological Transition, Christophe Béchu, François Thomazeau, Senior Project Manager at I4CE, and Théo Gal, a student regional manager, and François le Béhot, a student regional administrator. Two elected representatives gave accounts of their regional issues: Audrey Linkenheld, Vice-Chair of the Lille Metropolitan Area, and Michel Maya, Mayor of Tramayes in Saône-et-Loire.



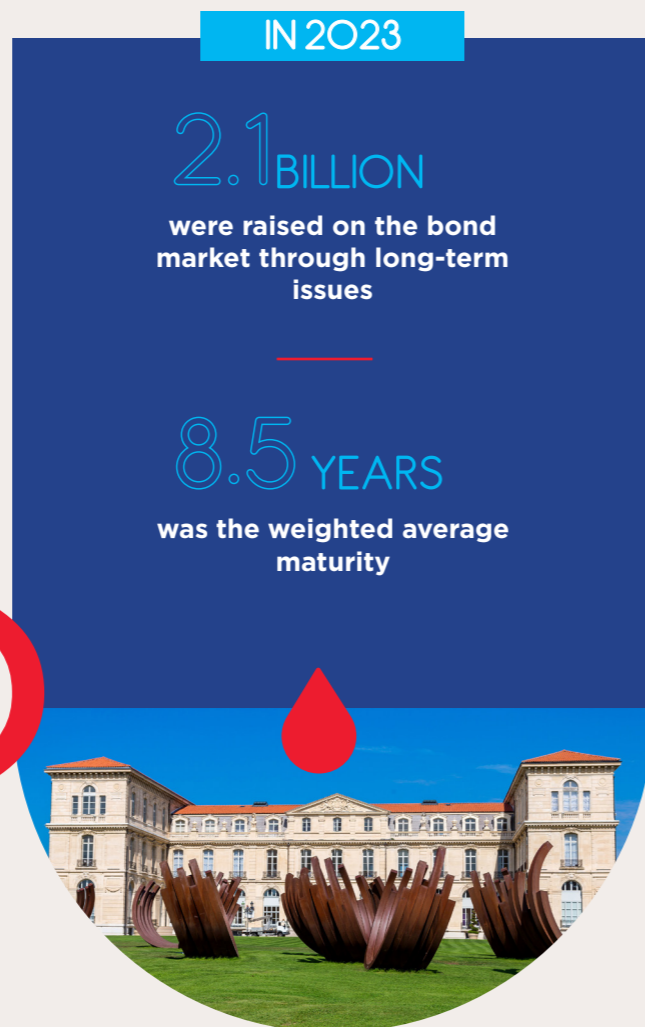
A MODEL FOCUSED ON OPTIMIZING FINANCIAL RESOURCES

In 2023, AFL raised a record volume of €2.1 billion on the bond market.

AFL made two syndicated issues denominated in euros of an amount of €750 million maturing in 7 years, and of €500 million maturing in 15 years.

Two top-ups of a bond issue in pounds sterling were also carried out alongside these two issues. Several private placements were completed in addition to these operations, including €215 million of private placements of sustainable bonds. For the first time private placements were also carried out with an option to redeem the bonds before maturity (callable bonds) at AFL's discretion.

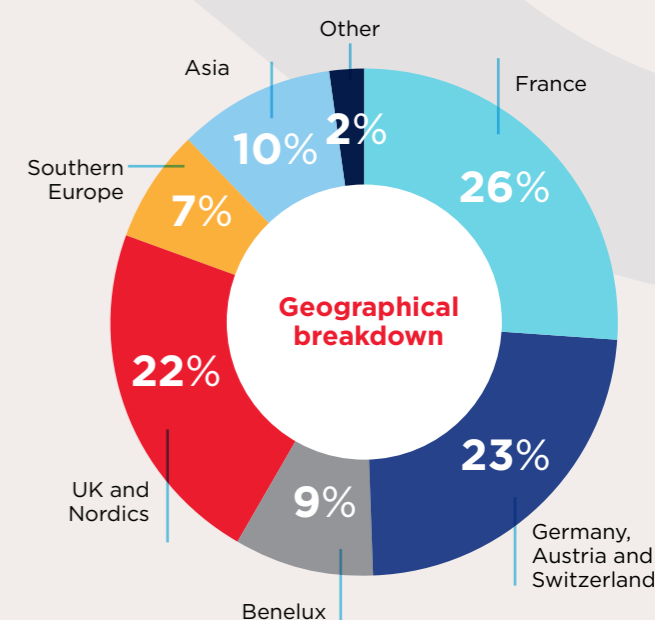
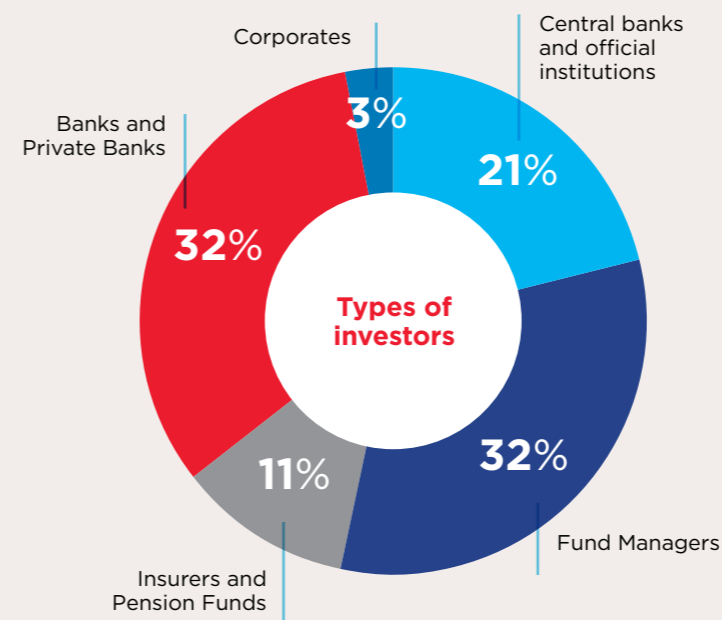
With a weighted average margin of 49 basis points above the French Treasury bond (OAT) curve, the 2023 borrowing program was able to extend AFL's refinancing curve to continue its matching with the balance sheet.



OUR INVESTORS

BY GEOGRAPHICAL ORIGIN AND BY TYPE

(Aggregated distribution of the issues in euros between 2015 and 2023)



KEY FIGURES

"Since it was created in 2015, AFL has raised a little over **€10 billion** to finance the investments of its member authorities. With the support of leading banks, it has won the trust of more than **300 different investors**, proving its creditworthiness, the soundness of its model, and the appeal of France and local authorities."



Thiébaud Julin
Chief Financial Officer and member of AFL's Management Board



MOODY'S INVESTORS SERVICE

Aa3 / P-1
Stable outlook

Moody's rating (last credit opinion: June 1, 2023)

S&P Global Ratings

AA-/A-1+
Stable outlook

S&P rating (last credit opinion: May 24, 2023)



COMMITTING TO A CONTROLLED SOCIAL AND ENVIRONMENTAL IMPACT

With its lightweight operating model, AFL pays close attention to its social and environmental impact in its operations. As our local authorities are behind its creation, we wanted it to uphold local government values in its daily practices. Each year, AFL goes further in its commitments, to increase its social involvement and take into account its environmental impact.

OUR ENVIRONMENTAL COMMITMENTS

AFL has committed to:

Digitalizing its business processes while controlling its digital footprint

- The continued roll-out of new digitalized systems for its operations (market finance, payroll production, management of regulatory declarations, monitoring of loans, etc.), customer relations (banking portal, electronic signing of loan agreements, etc.) and corporate governance (electronic voting at the General Meeting of Shareholders and for the approval of company-wide agreements by employees).
- A commitment to taking into account the digital footprint of our activities: introduction of a plan to reduce the digital footprint of our information system (Green IT) entailing the assessment and controlling of the impact of all our IT resources.

KEY FIGURES

460 TONNES
of CO2

AFL wished to carry out its Bilan Carbone® (carbon footprint assessment) for the second time according to the official methodology. In 2022, a total of **460 tonnes of CO2** were emitted by AFL (internal scopes 1-2 and 3), equal to **10 tonnes per employee**, a figure **40% lower** than the average for public banks and financial institutions.

greenly



Reducing its environmental impact and greenhouse gas emissions (energy and climate plan)

- A bank in control of its resources: a single physical site in Lyon, France, with a small surface area to limit the carbon impact and a remote working charter signed by all of the bank's eligible employees. Specific measures have been taken to reduce the energy consumption of the offices (replacing of multiple screen work stations with work stations with single, wide screens, cutting off of hot water from the bathrooms, controlling of the offices' heating temperature, improving of the selective sorting system, etc.)
- Support from AFL with the transition: maintaining of the sustainable transport scheme (FMD), providing of environmentally responsible vehicles for staff, introduction of an annual internal sporting challenge encouraging employees to take up a sport (walking, cycling and running) and participation in the inter-company mobility challenge organized by the Auvergne-Rhône-Alpes Region.



Taking social and environmental issues into account in our procurement policy, namely:

- Economic responsibility: through a description of the company's key ESG characteristics (Environmental, Societal, and Governance) and its criteria for selecting its suppliers (local or foreign) and subcontractors (duty of care);

OUR SOCIAL COMMITMENTS

Because AFL's 44 employees play a leading role in the company's performance, since its creation AFL has defined and deployed a human resources policy aimed at promoting the personal fulfilment of employees and the development of their skills.



Applying an anti-discrimination policy and promoting professional equality

- Although it is not subject to the application of a gender equality index because of the size of its workforce, AFL has nonetheless decided to publish it proactively.
- Spotlight on the methodology:
 - 4 measurement indicators
 -) the gender pay gap, with a score out of 40;
 -) the gender pay rise gap, with a score out of 35;
 -) the percentage of female employees receiving a pay rise after maternity leave, with a score out of 15;
 -) parity between women and men among the 10 highest paid employees, with a score out of 10.

THE GENDER EQUALITY INDEX:

87/100
(within the national average)



Ensuring the well-being of employees

THE RATE OF ABSENTEEISM

0.63%
in 2023

- 100% of the eligible employees have signed the remote working charter, meaning that they can benefit from remote working up to 10 days a month;
- Charter on the right to disconnect;
- Continuing of the dialog between management and volunteer employees about the qualitative aspects of working life: the conclusions drawn from the groups gave rise to the creation of an action plan that is currently being implemented.



Developing an inclusivity policy

- Integration of young people: Four professional training contracts and two internship agreements were signed in 2023;
- Integration of people with disabilities: AFL purchases a number of services from organizations for the integration of people with disabilities, known as ESATS (purchasing of supplies, printing, etc.).

TRAINING

0.93

training days per employee in 2023, making a total of 46 days over the year



RECORD DEVELOPMENT IN 2023

Results at 12/31/2023
Consolidated IFRS figures

The AFL Group¹ is reporting solid results with substantial growth:

- Net banking income of €23.4 million (+33% compared with 2022)
- Gross operating income of €7.6 million (+81% vs 2022)
- Consolidated net income of €5.7 million (more than double the figure for 2022)
- Cost/income ratio up more than 11% to 67.4%
- Solvency ratio of 13.23%

5.7 MILLION
of consolidated net
income

The exceptional volume of lending to local authorities, the AFL Group's core business, generated strong revenue growth, driving a 55% year-on-year rise in the net interest margin.

The AFL Group's gross operating income, which exceeded €4 million for the first time at the end of 2022, grew very strongly (+81%), reaching €7.6 million.

This result confirms the Group's very fast, solid and steady income growth, excluding extraordinary items, and a strong financial and operational discipline.

The operating expenses, which increased by 17% to €15.7 million, are proof of careful management for a bank undergoing a phase of rapid development, requiring expenses such as new hires and IT investments.

AFL's cost of risk is intrinsically limited due to its model as a public development lending institution, conservative financial policies, prudent management and the high creditworthiness of local authorities. In 2023, it reversed €117,000 of provisions.

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

2023 results in figures:

In thousands of euros	Dec 31, 23	Dec 31, 22
Net banking income - NBI	23,355	17,608
Non-recurring income: capital gains net of hedging of the capital losses from sales of loans and securities	540	1,467
Income net of IFRS hedge accounting	-1,576	367
Net interest margin	24,267	15,651
Transactions with customers	221,566	31,182
Liquidity reserve	84,378	2,505
Debts and collateral	-281,677	-18,036
General operating expenses	-15,734	-13,403
Staff costs	-7,655	-6,337
Administrative costs	-7,056	-6,266
Depreciation and amortization	-1,023	-799
Gross operating income	7,620	4,206
Cost of risk	117	-404
Income tax	-1,999	-1,026
Net Income	5,739	2,775

SPOTLIGHT ON AFL'S RATIOS

- 13.23%: solvency ratio (CET1)
- 541%: LCR
- 8.86%: leverage ratio

AT
DECEMBER
31, 2023

776 SHAREHOLDER AUTHORITIES IN THE AFL GROUP



See a list of all
our members



For local authorities

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