



Agence France Locale

April 24th, 2025

Investor Presentation



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Executive Summary

- AFL is a local government funding agency fully owned and guaranteed by French Local Authorities.
- The high creditworthiness of AFL is based on:



Authorized by the banking law dated 26 July 2013 to fund local authorities



Fitch : **AA-** (negative) / F1+
(4 September 2024)
S&P : **AA-** (negative) / A-1+
(7 May 2024)



HQLA 1* and eligible to general collateral at ECB and SNB

**Public
Development
Bank**
dedicated to
the funding of
**French local
authorities**



Well recognized and efficient model as demonstrated by the Nordic **LGFA**s



*ACPR annual notice (p. 94) : https://acpr.banque-france.fr/sites/default/files/media/2024/07/03/20240703_notice_2024_clean.pdf

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- _O1 France Facts and Figures
- _O2 AFL's Characteristics and Financial Framework
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- _O5 Sustainable Bonds
- _O6 Appendices

Characteristics of French Public Sector



Grenoble Metropolis – Construction of a cogeneration plant

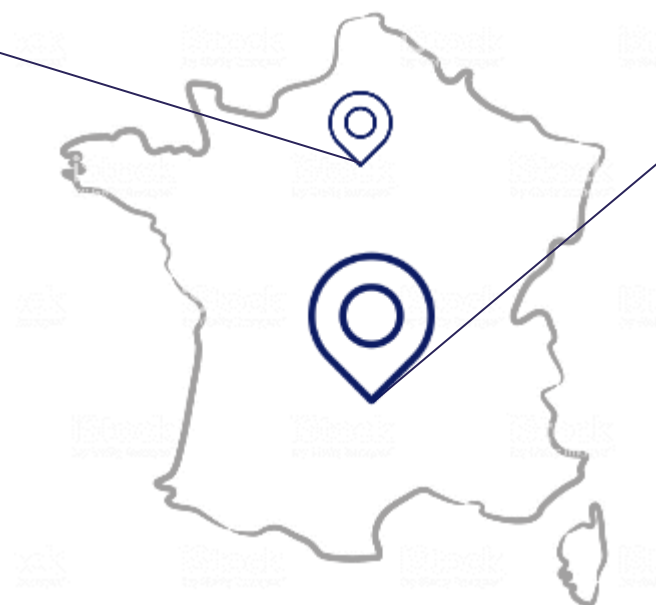
French Public Sector

Central public
administration

80 % of public
expenditures
(including social security
entities)

40 % of public
investment
(including social security
entities)

Debt = approx GDP
105.1 %



Local
authorities

20 % of public
expenditures

60 % of public
investment

Debt = 7.9%
GDP

Sources : Insee, March 2025.

More than 45 000
local authorities

70% of their investment is
self-financed

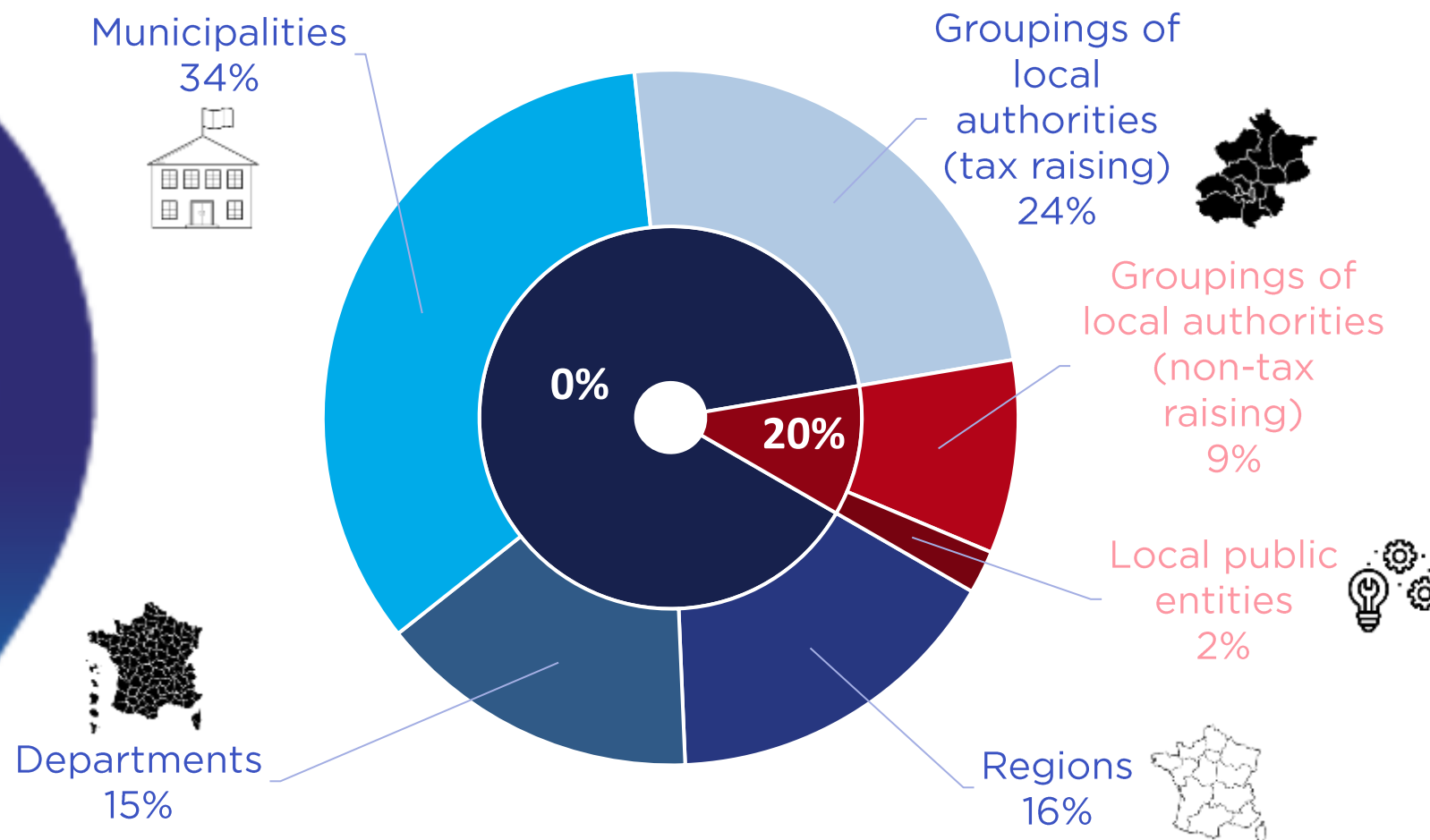
The **regulatory framework** governing French local authorities is highly stringent :

The golden rule

Local authorities :

- ✦ Cannot go bankrupt or undergo liquidation proceedings.
- ✦ Are compelled to balance their operating budget.
- ✦ May only borrow funds in order to finance their investments.
- ✦ Must repay debt interests and capital on their own resources.

French Local Authorities ^{2/2}



89% of the stock of debt of French Local Authorities is **0%** risk weighted

Share of each category in the total indebtedness of the French local authorities' sector (INSEE, March 2025).
Detailed competencies on appendix 2

AFL's Characteristics and Financial Framework



*Suburban community of Vichy
- Urban planning - Banks of
the Allier*

The Model of Local Government Funding Agency (LGFA) has proved highly efficient over the years

A well established model

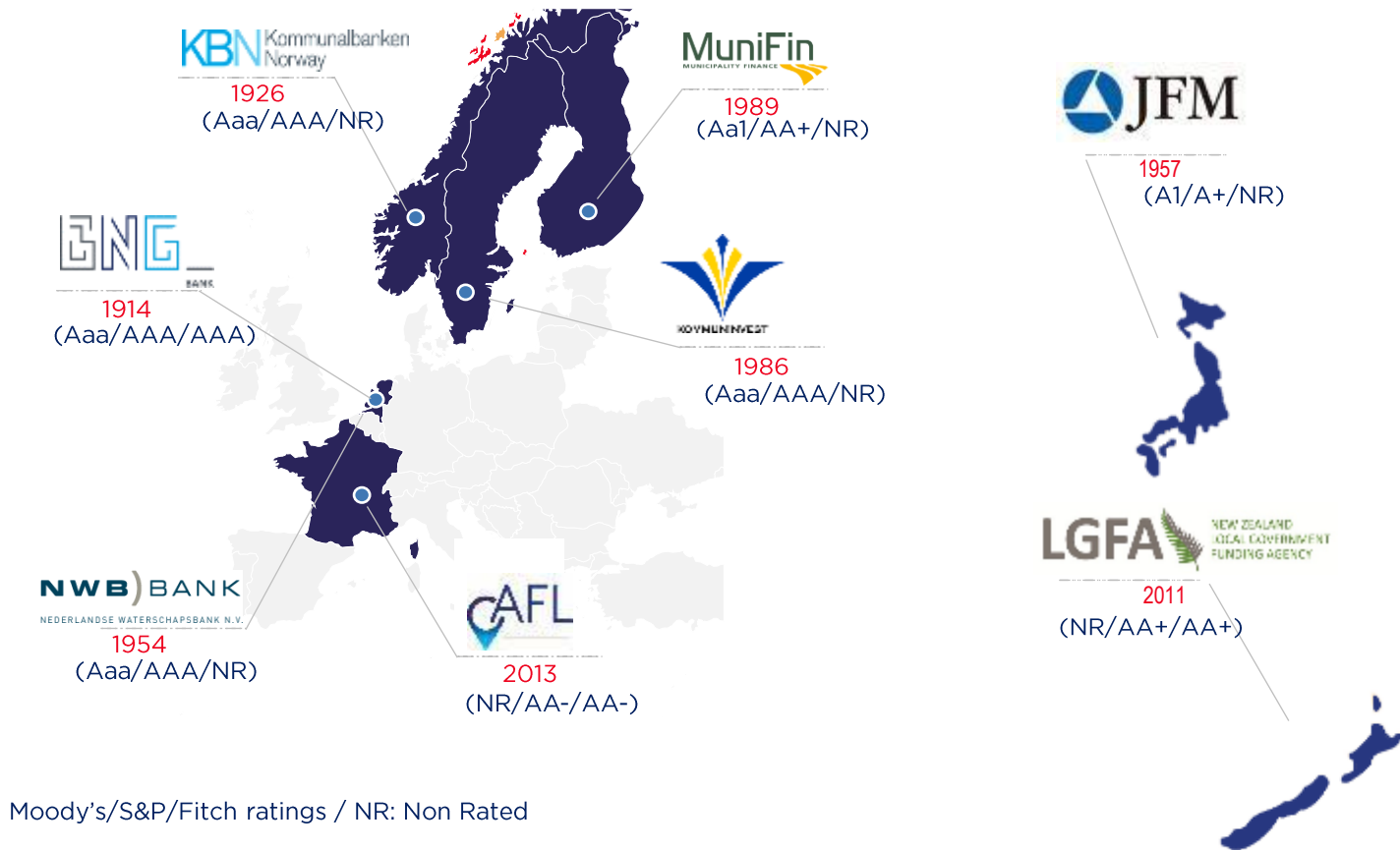
- The model of a national funding agency bringing together local authorities to pool their borrowing needs in the bond market has already proved successful in various Northern European countries, Japan and New Zealand.

A sustainable model

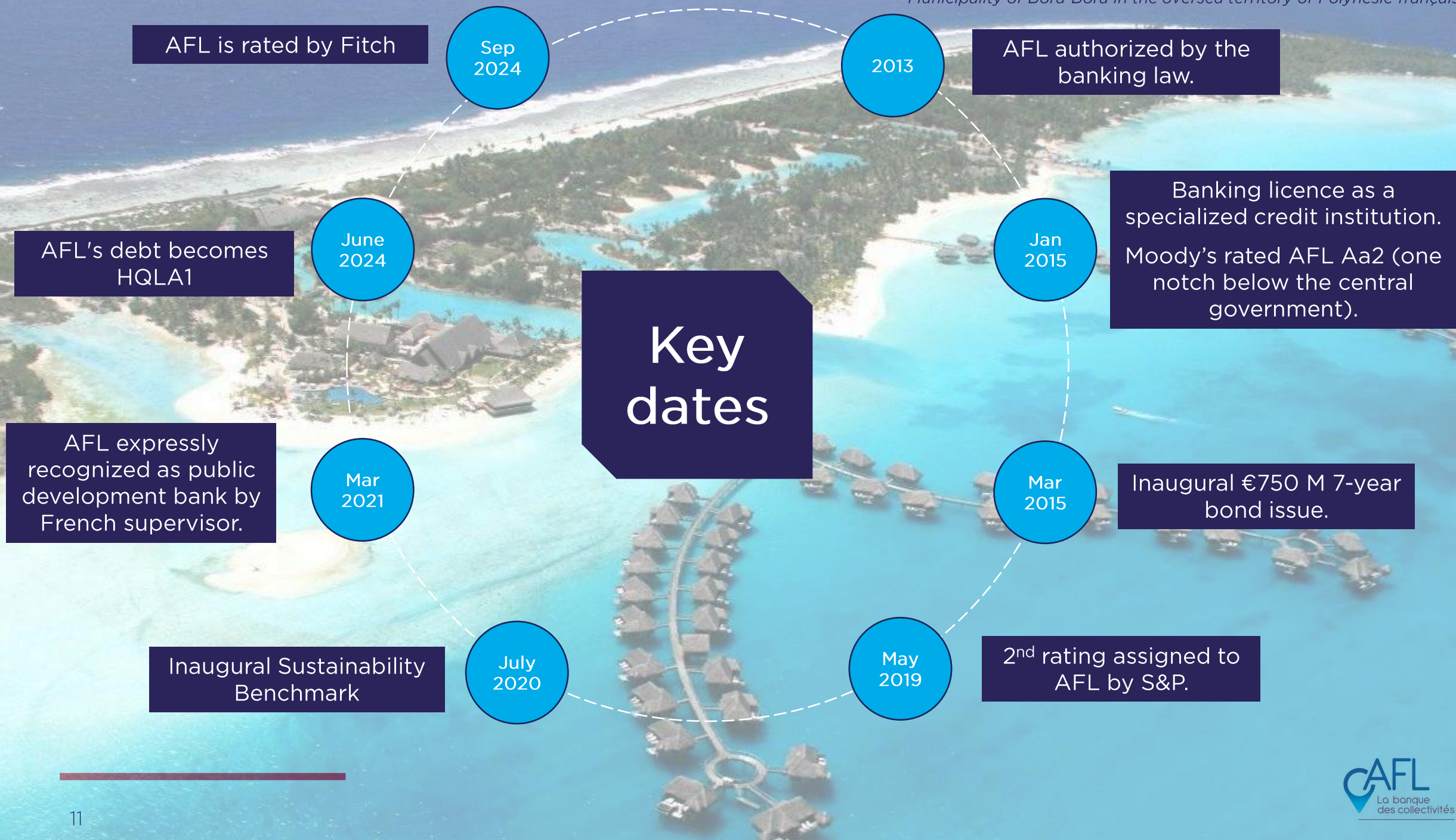
- Created by Danish municipalities in the late 19th century, the model has disseminated in many countries

A core mandate

- Funding the investments of local authorities is the core mandate of Local Government Funding Agencies.



Over 125 years in Northern Europe



A Responsible Structure and Governance

The governance of AFL Group is based on a two-tier structure (AFL-ST and AFL) with the objective to:

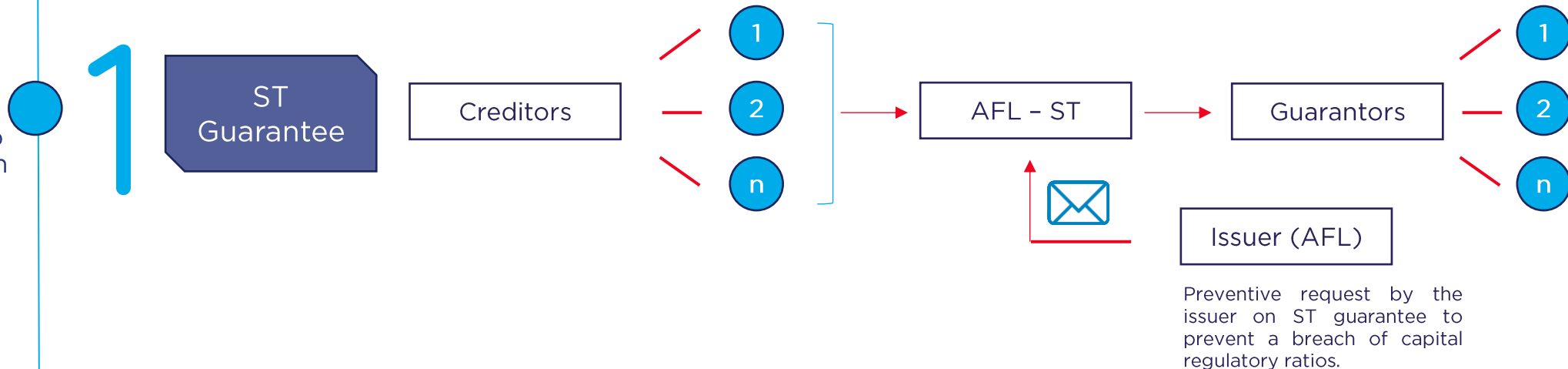
- Prevent conflict of interests between shareholders and borrowers
- Provide risk-based loans to the borrowers
- Ensure accountability from stakeholders
- Have a decision-making process based on adequate checks and balances



A Dual First Demand Guarantee System

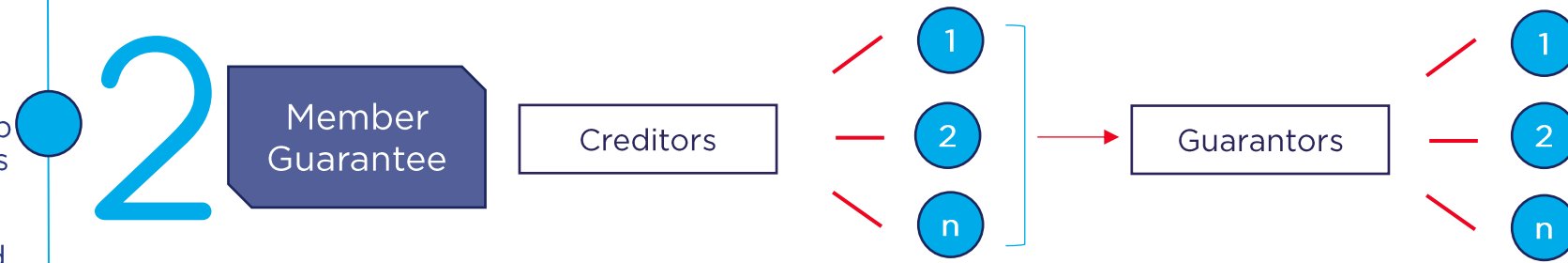
- An explicit and irrevocable first demand guarantee from AFL - ST to the financial creditors of AFL up to an amount which is set by the Board (€20bn as of today).

ST Guarantee (call by the creditors) : autonomous first demand guarantee granted by the ST for the benefit of the issuer's creditors. AFL-ST has the option to call on the Member Guarantees in two cases: in the event that the ST Guarantee is called on or preventively on the due date at the express request of the Issuer.



- Joint explicit and irrevocable first demand guarantee from each member local authority, to the financial creditors of AFL, up to the amount of its outstanding medium and long-term loans received from AFL

Member Guarantee (call by creditors): autonomous first demand guarantee granted by the Members to the issuer's creditors



Conditions of Eligibility & Scoring

1 Regulatory criteria



2 A scoring methodology



A Stringent Credit Policy

Loan granting and pricing are based on AFL's internal scoring and credit analysis

Distribution of vanilla loans to local authorities

- Long term loans
- Long term loans with progressive cash outflows
- Bridge loans
- Short term facilities
- No structured products

Stringent membership and credit policy

- Membership only possible for Local authorities with a minimum score
- Membership and guarantee undertakings necessary to get a loan

Ceiling applicable to loan exposure

- Lending capacity is limited to a percentage of the outstanding debt of each local authority¹

Maximum exposure limit	Scoring
80%	1 to 3.99
60%	4 to 4.99
40%	5 to 5.99

Loan pricing is based on credit quality

- Loan pricing varies based on the internal scoring of local authorities by AFL.

¹ Not applicable to local authorities under €10M outstanding debt

Asset and Liability Management Policies

Hedging of interest rate and currency risk

- To immunize AFL from undesired exposure to changes in interest and currency rates.
- Hedging essentially with swaps.

Low liquidity risk

- Conservative Liquidity Buffer to vary between 60 to 100% of 12 months net cash requirement essentially invested in liquid and ECB eligible assets.
- AFL's loan portfolio is eligible as collateral to ECB refinancing.
- Limited transformation with maximum 18 months gap objective between the average life maturity of assets and the average life maturity of liabilities.

Conservative investment policy

- Securities are at least rated A- and issued by Supranational Institutions, Sovereigns, Agencies, local government entities and financial institutions from the European Economic Area, North America and explicitly internally approved countries
- 70% minimum of high-quality liquid assets, or HQLA.

Corporate Responsibility

Governance diversity

- Gender representation:
 - Gender diversity in the Supervisory Board and the Executive Board
 - Greater degree of gender mix at all corporate level
- Representation of all categories of local governments to the Board of Directors of AFL-ST
- A majority of independent directors and experts of the financial sector within the Supervisory Board

Equality

- Capital contribution to the AFL Group commensurate to the total outstanding debt of each local authority
- Similar loan pricing for same internal scoring

Distribution of economic value

- AFL Group does not pursue an objective of shareholder value maximization
- Value is directed towards all stakeholders :
 - Borrowers with competitive loan pricing
 - Investors with regular, predictable bond issuance
 - Annual profits added to retained earnings to build up the capital base with a pay out ratio set at a maximum of 5%

Responsible policies

- AFL financial strategy and policies pursue an objective of wealth preservation, business sustainability, long-term confidence of investors

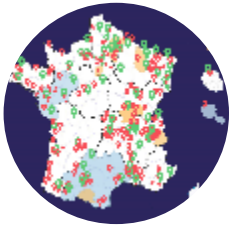
Operational Activities and Development



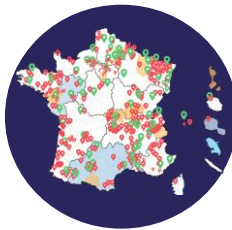
Municipality of Saint-Julien-en-Genevois – School complex construction



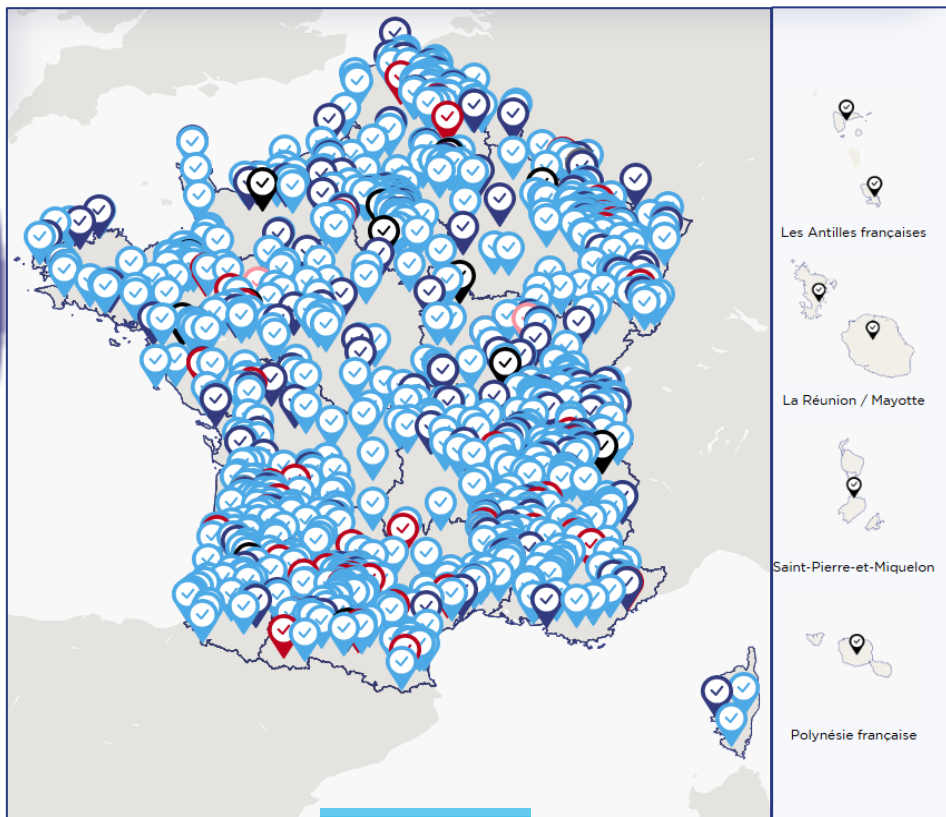
2014



2017



2021



2025

1 045 local authorities shareholders of the AFL Group

(As at December 31, 2024)

5 regions	Occitanie, Pays de Loire, Grand Est, Bourgogne-Franche-Comté, Nouvelle-Aquitaine.
17 departments	Seine-Saint-Denis, Aisne, Ariège, Essonne, Savoie, Meuse, Saône-et-Loire, Allier, Loire-Atlantique, Calvados, Yvelines...
210+ groupings	Metropolises of Bordeaux, Brest, Lille, Lyon, Marseille, Nantes, Rouen, Strasbourg, Toulouse, Grenoble, Nancy, Clermont...
800+ municipalities	Smallest municipality : 8 inhab. 11% of member municipalities have more than 20 000 inhab.
Overseas territories	French Polynesia, Saint-Pierre-et-Miquelon.

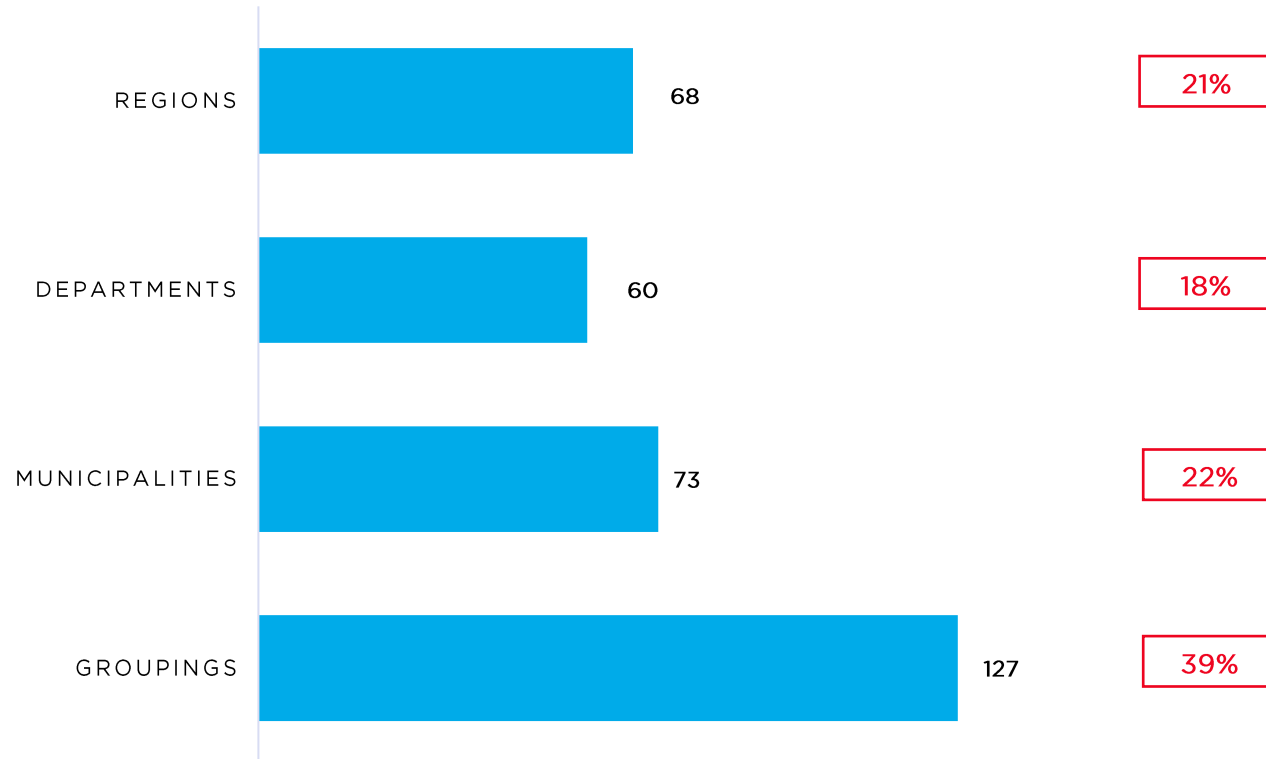
26.5%

Share of outstanding debt of members local authorities in the total outstanding debt of French local authorities (which is more than €200Bn).

Committed Capital By Category of Local Governments

[As at 31 December 2024 – in €Mn]

Total committed capital of **328M€**

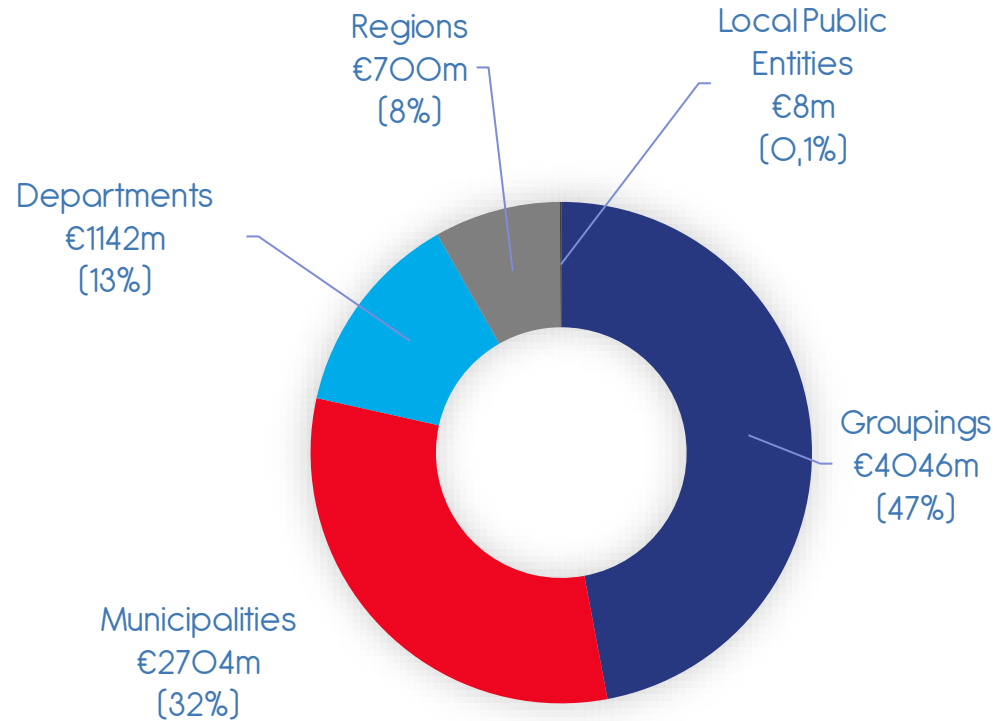


Brest Metropolis- Cable car

Loan Portfolio

[As at 31 December 2024]

Loans by category of local governments



Data : EAD

Outstanding signed loan portfolio amounts to
€9.1Bn

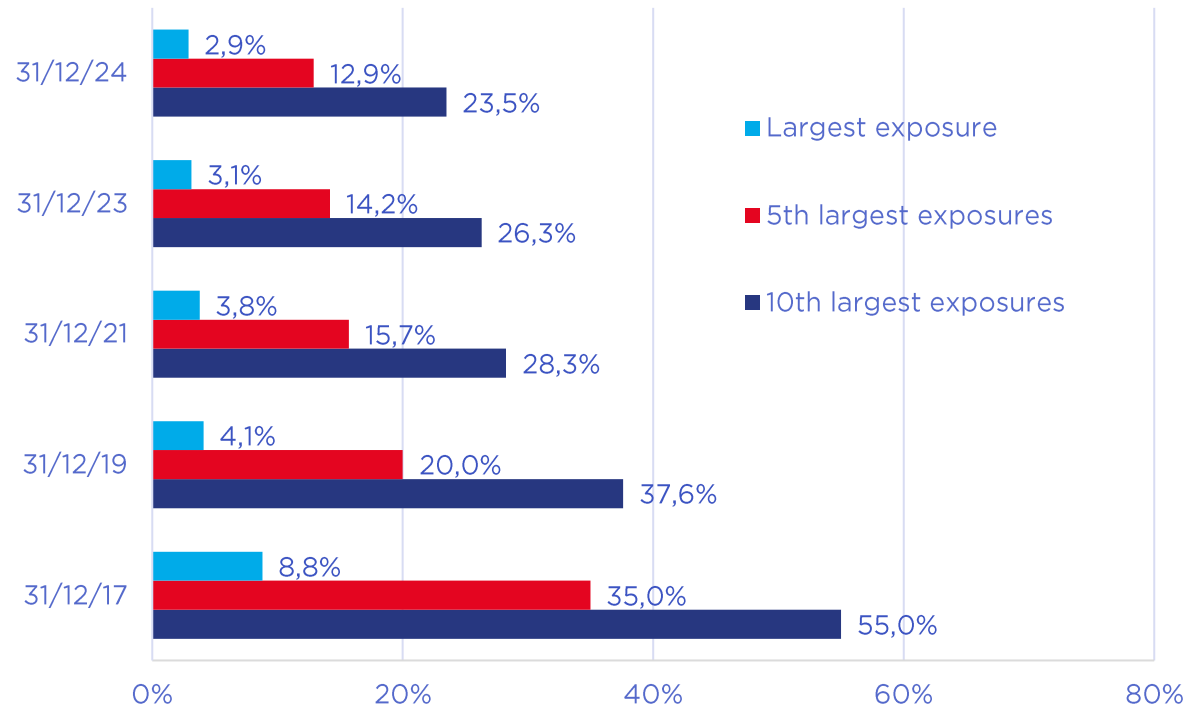


Data : French GAAP

Concentration of Loan Portfolio

[As at 31 December 2024]

Loan portfolio concentration



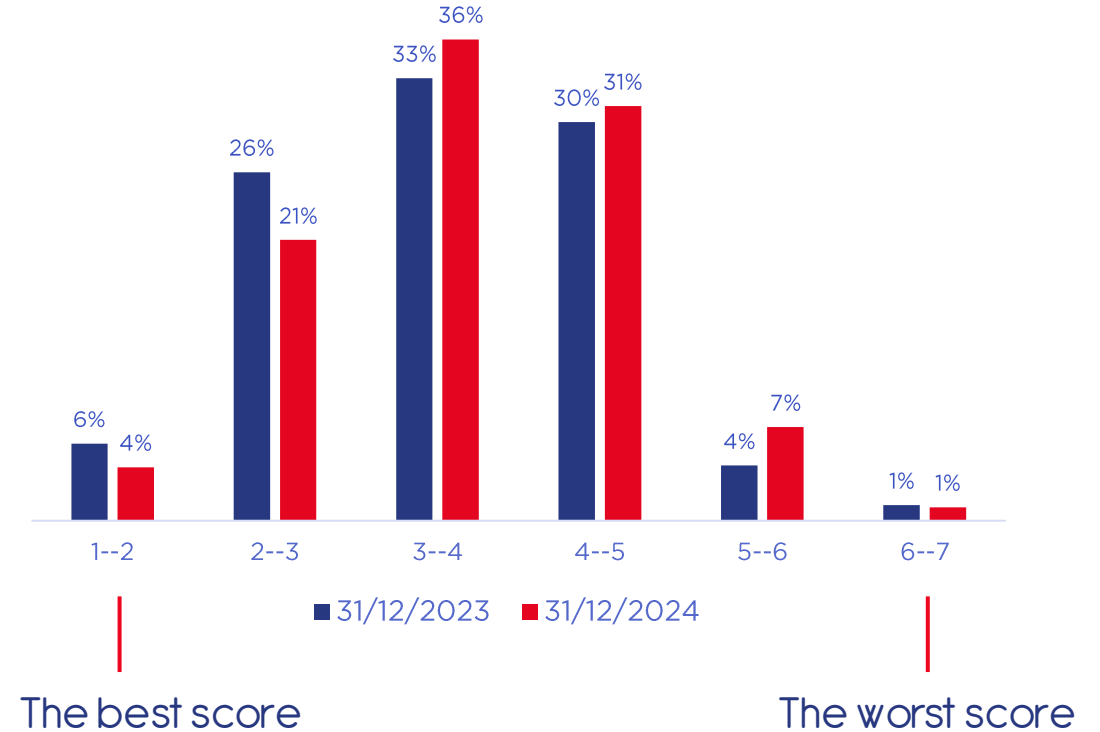
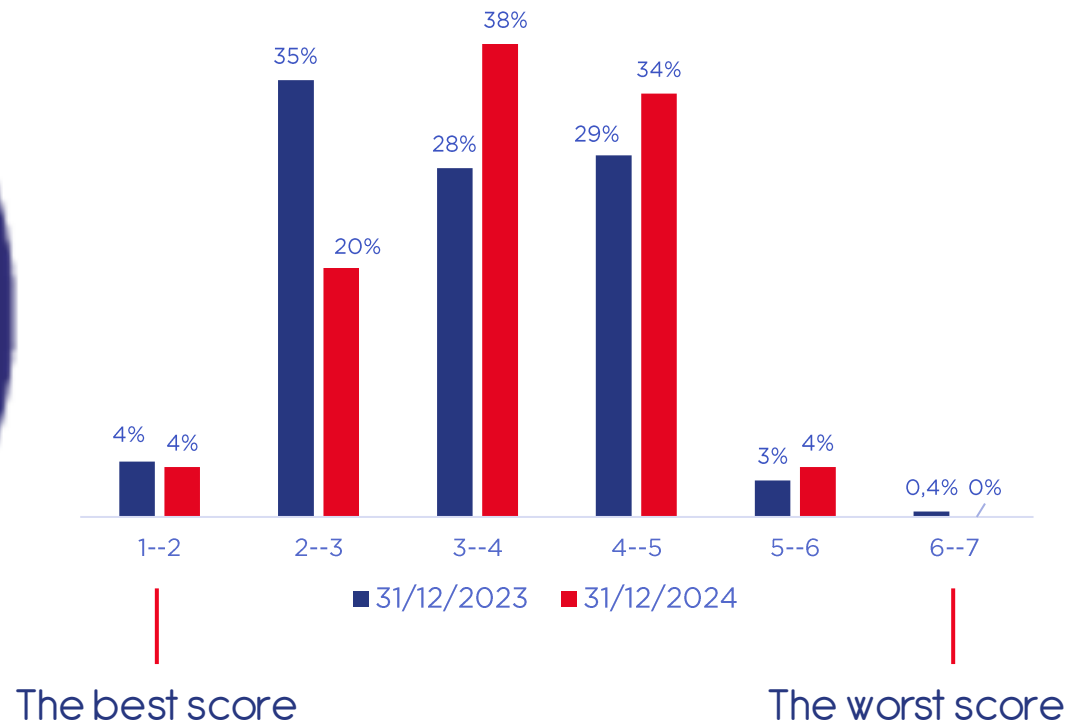
Public territorial entity of Grand Orly Seine Bièvre - Extension of Paris subway line 15 - Copyright @Grand Orly Seine Bievre

Rating Distribution of Capital and Loans

[As at 31 December 2024]

Distribution of committed ICC* by rating

Distribution of outstanding loans by rating

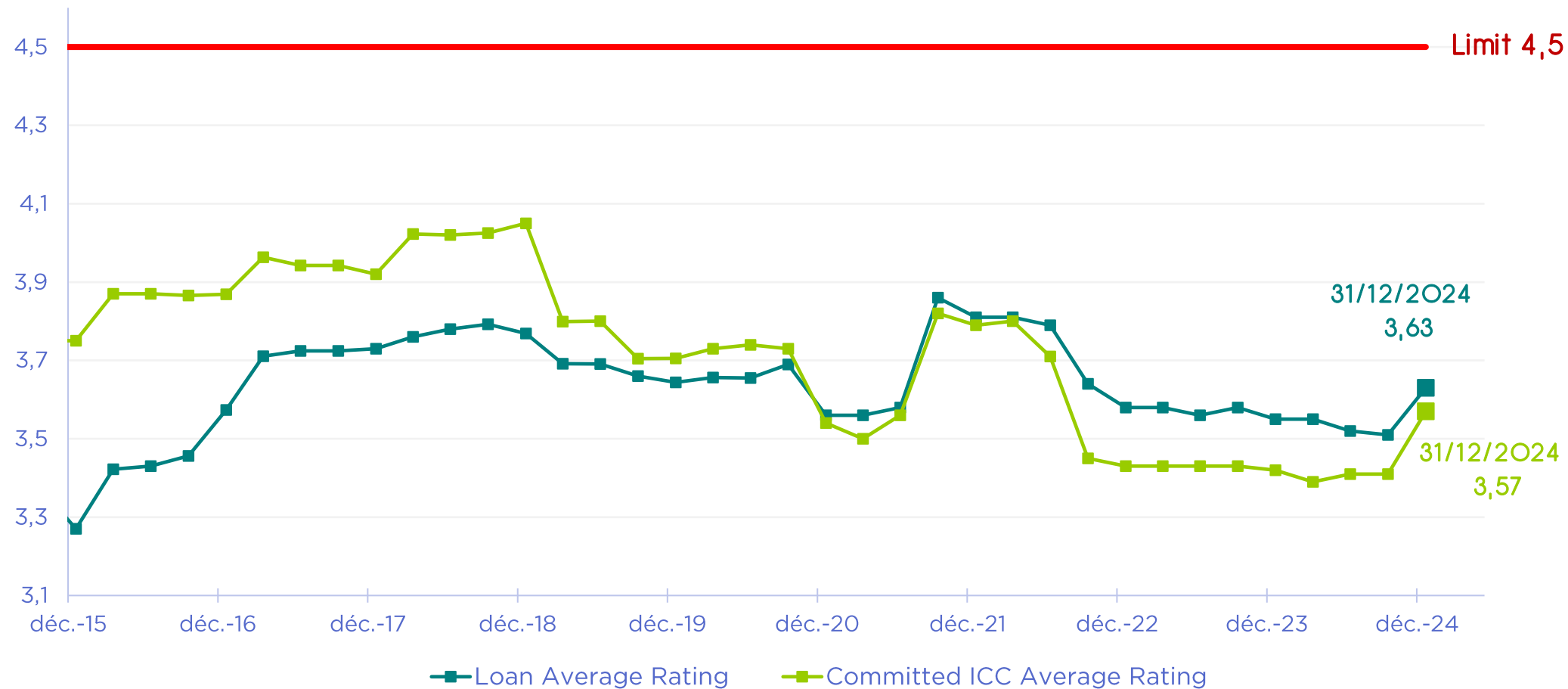


As at 31 December 2024, the weighted average rating of the committed capital was **3.57** and the weighted average rating of outstanding loans **3.63**.

*Initial Capital Contribution

Changes in Ratings

[As at 31 December 2024]



ICC: Initial Capital Contribution

AFL's business model is at the very heart of sustainable finance

- The achievement of SDGs relies on the contribution from local authorities to promote integrated, inclusive and sustainable territorial development.
 - AFL participates in the financing of local authorities' investments in social and environmental areas.
 - These investments contribute to achieving sustainable development goals for local authorities and the country.



At least **40%**¹ of **investment expenditures** of French Local Authorities directly contribute to sustainable development



Of which according to AFL:

- **48%** allow to achieve the UN SDG n°4.
- Slightly less than **10%** allow to achieve the UN SDG n°9.
 - **9.5%** help achieve the UN SDG n°10.
- More than **22%** allow to achieve the UN SDG n° 11.

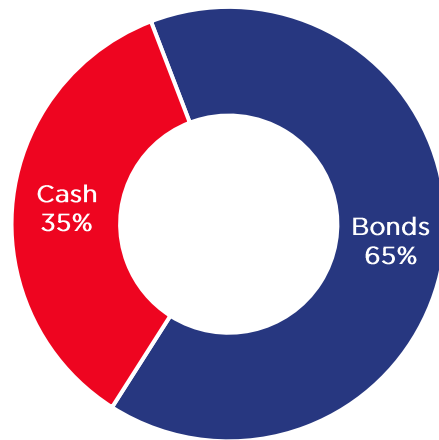


¹According to AFL

Liquidity Reserves of AFL

[As at 31 December 2024]

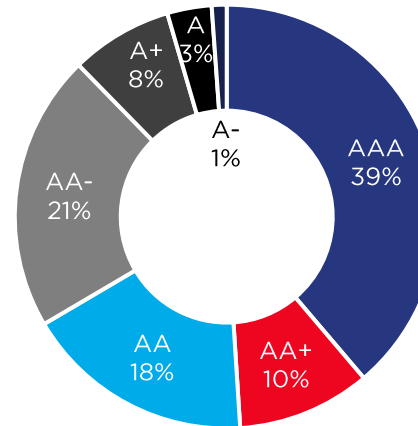
Distribution of liquidity reserves



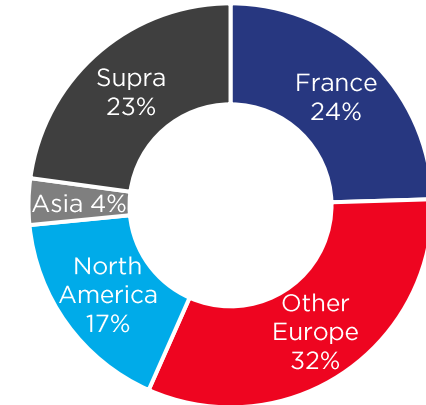
Total liquidity reserve of
€1.9Bn

Bond portfolio distribution

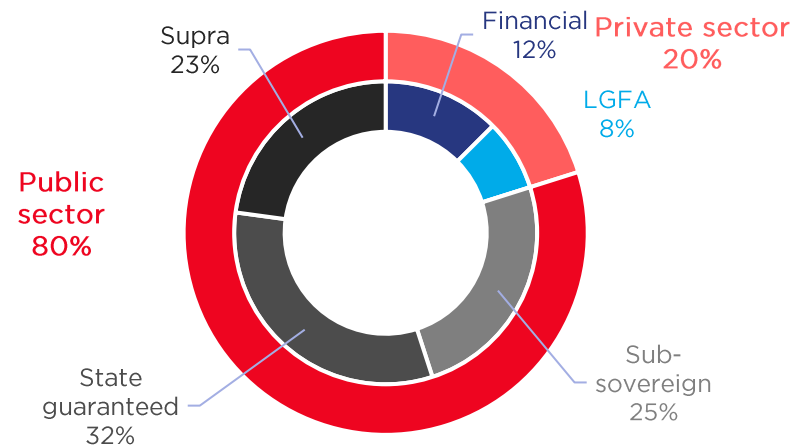
Distribution by rating



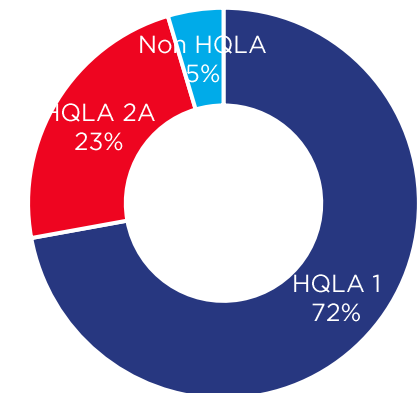
Distribution by geographical location



Distribution by counterparty type



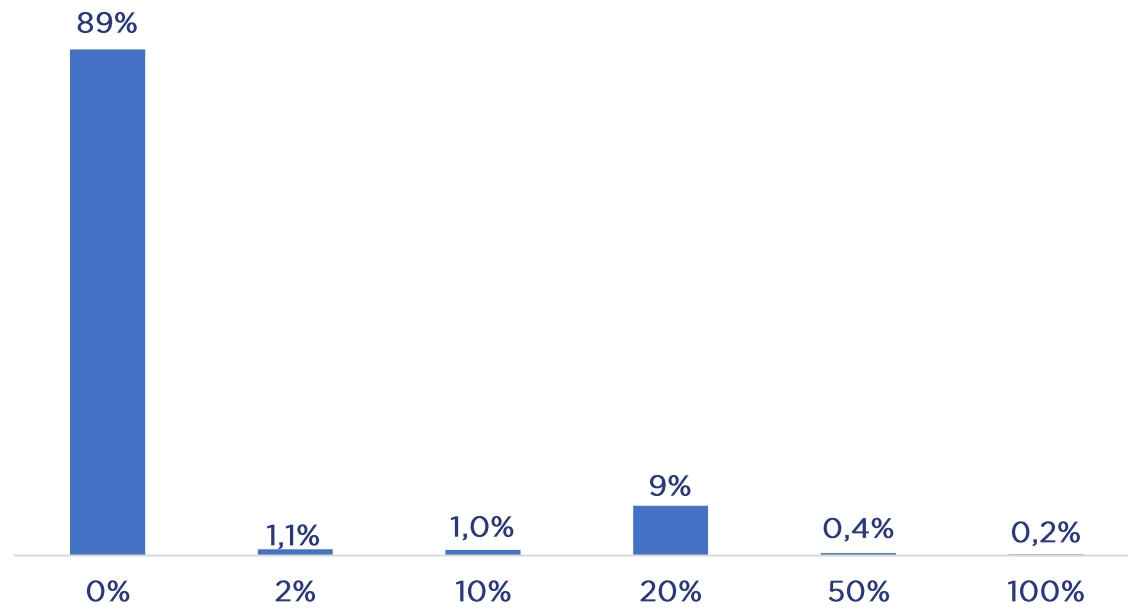
Distribution by LCR classification



AFL bears Low Risk Assets

[As at 31 December 2024]

Exposures by risk weight (standard method)



Most of AFL's exposures are 0 or 20% risk weighted.



Municipality of Nantes – cultural exhibition

Strong Capital and Liquidity Position

[As at 31 December 2024]

Capital and liquidity ratios, IFRS consolidated	
Basel III solvency ratio <i>(Common Equity Tier 1, IFRS consolidated basis, 11.75% regulatory limit + 1% countercyclical buffer requirement on French exposures from 1st Jan. 24)</i>	63%
PDCI Leverage ratio <i>(Public development credit institutions CRR2, IFRS consolidated basis, 3% regulatory limit)</i>	11.25%
Banking Leverage ratio <i>(1.7% regulatory limit, government decree n°2024-807)</i>	2.31%
LCR ratio <i>(regulatory limit 100%)</i>	447%
NSFR ratio <i>(regulatory limit 100%)</i>	220%
NCRR ratio <i>(internal liquidity ratio, limit 60% - 100%)</i>	90%

As at 31 December 2024, Agence France Locale – Société Territoriale completed 42 capital increases:

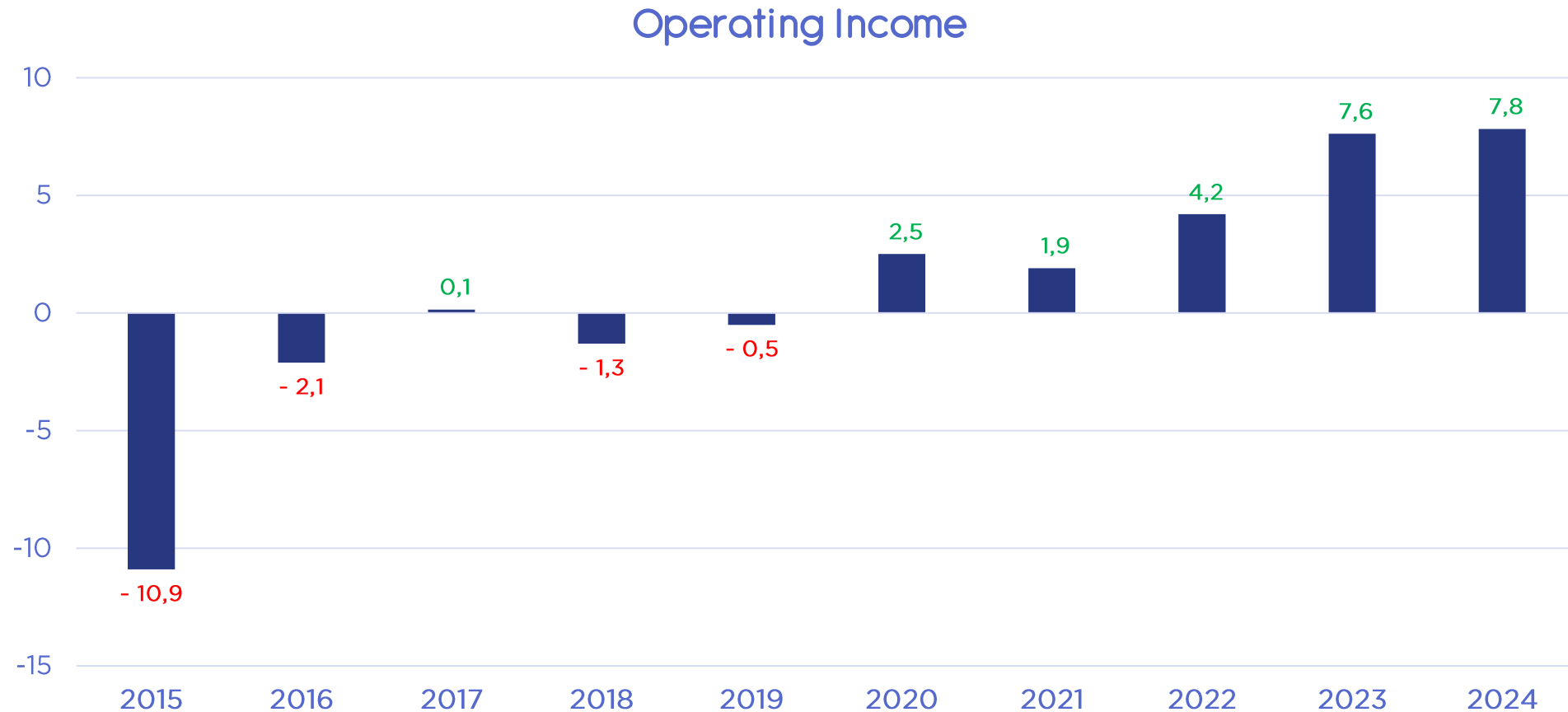
- Committed capital amounts to €328 M
- Prudential capital amounts to €248 M

The level of capitalization and liquidity favorably underpins the creditworthiness of AFL which is rated :

- AA- (negative) / F1+ by Fitch
- AA- (negative) / A-1+ by Standard & Poor's

Financial Statements ^{1/2}

IFRS in €Mn

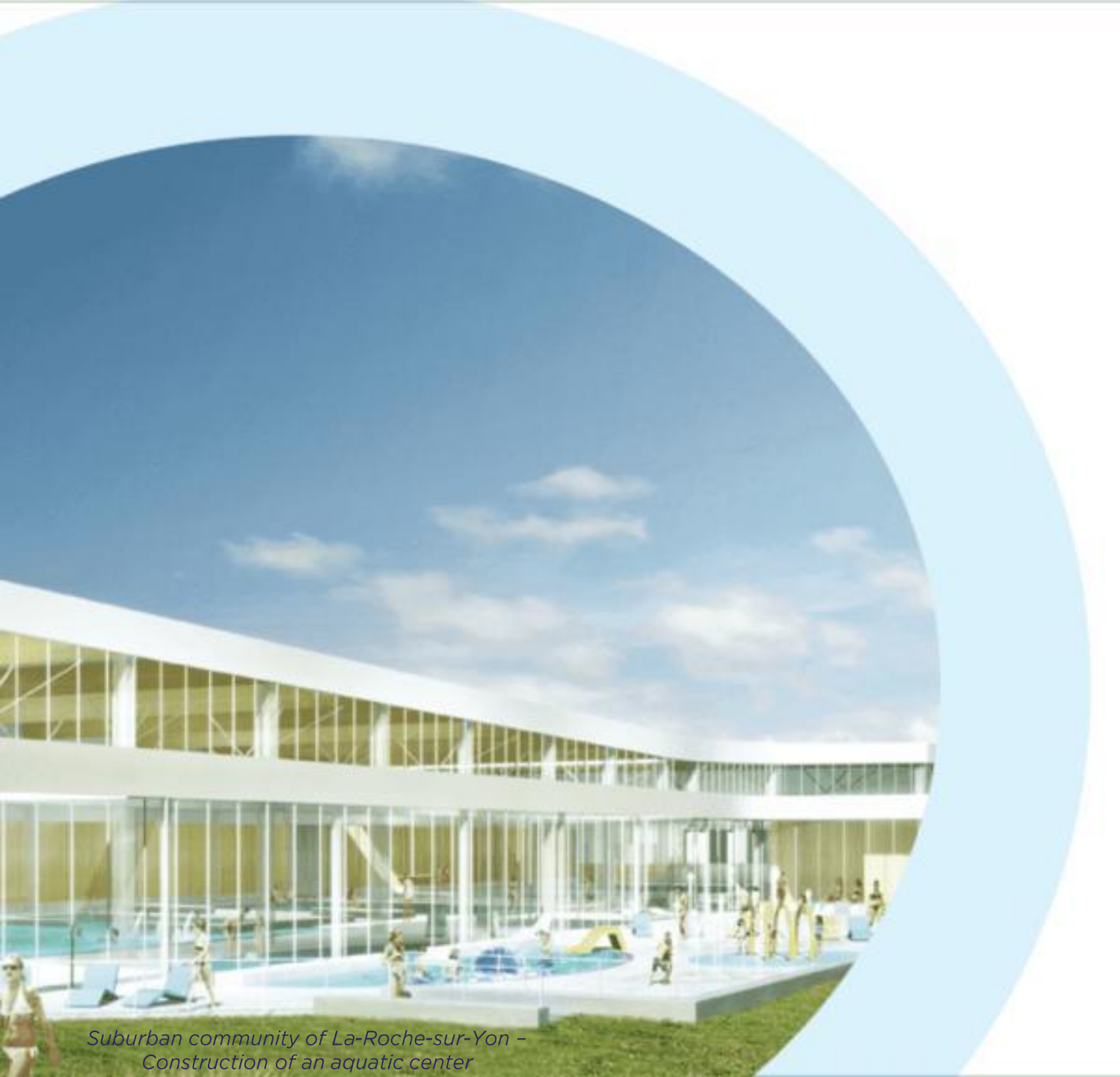


Financial Statements ^{2/2}

IFRS in €Mn

IFRS in EUR Million	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Liquidity reserves	502	435	991	856	948	1 580	2 321	2 192	1 967	1 909
Signed loans	505	1 026	1 670	2 596	3 478	4 230	5 006	5 501	7 409	8 792
Loans and receivables	384	893	1 431	2 230	3 161	3 832	4 431	4 690	6 576	8 247
Debt securities	841	1 259	2 336	2 997	4 037	5 296	6 572	6 589	8 262	9 818
Equity (IFRS consolidated)	65	99	121	124	131	158	190	197	218	307
Net banking income	0,4	9,3	10,7	9,7	11,1	13,8	14,0	17,6	23,2	23,9
Net interest margin	0,5	4,7	6,5	7,8	10,1	11,8	12,7	15,6	24,1	23,9
Total operating expenses	-11,4	-11,3	-10,5	-11,0	-11,6	-11,2	-12,1	-13,4	-15,6	-16,1
Operating income	-10,9	-2,1	0,1	-1,3	-0,5	2,5	1,9	4,2	7,6	7,8
Net income	-7,8	-3,4	-0,4	-1,7	-1,2	2,3	1,7	2,8	5,7	5,4


Funding Strategy



*Suburban community of La-Roche-sur-Yon –
Construction of an aquatic center*


Issuance Programmes and 2025 Borrowing Programme (1/2)

EMTN Programme



A multicurrency €20Bn EMTN programme that allows to issue medium to long term notes in various currencies in the form of public or private placement transactions.


- Long term commitment to issue at least one Euro denominated benchmark per year.



A dedicated Sustainable Bond programme to refinance eligible loans granted to French Local Authorities.

- Long term commitment to issue at least a sustainability bond every two years.

€2.5Bn of medium- and long-term funding in 2025 :

- 
- Euro denominated listed benchmarks;
 - Opportunistic multicurrency private placements;
 - Taps of existing Euro bonds;
 - Other currency public transactions.

Issuance Programmes and 2025 Borrowing Programme (2/2)

ECP Programme

A short term €2Bn ECP programme

- Issuance in various currencies (such as EUR, GBP, USD...) for maturities up to 1 year.
- STEP registered (eligible as collateral for open market operations of the ECB).

Up to €750Mn of short-term funding in 2025 in the form of ECP transactions.

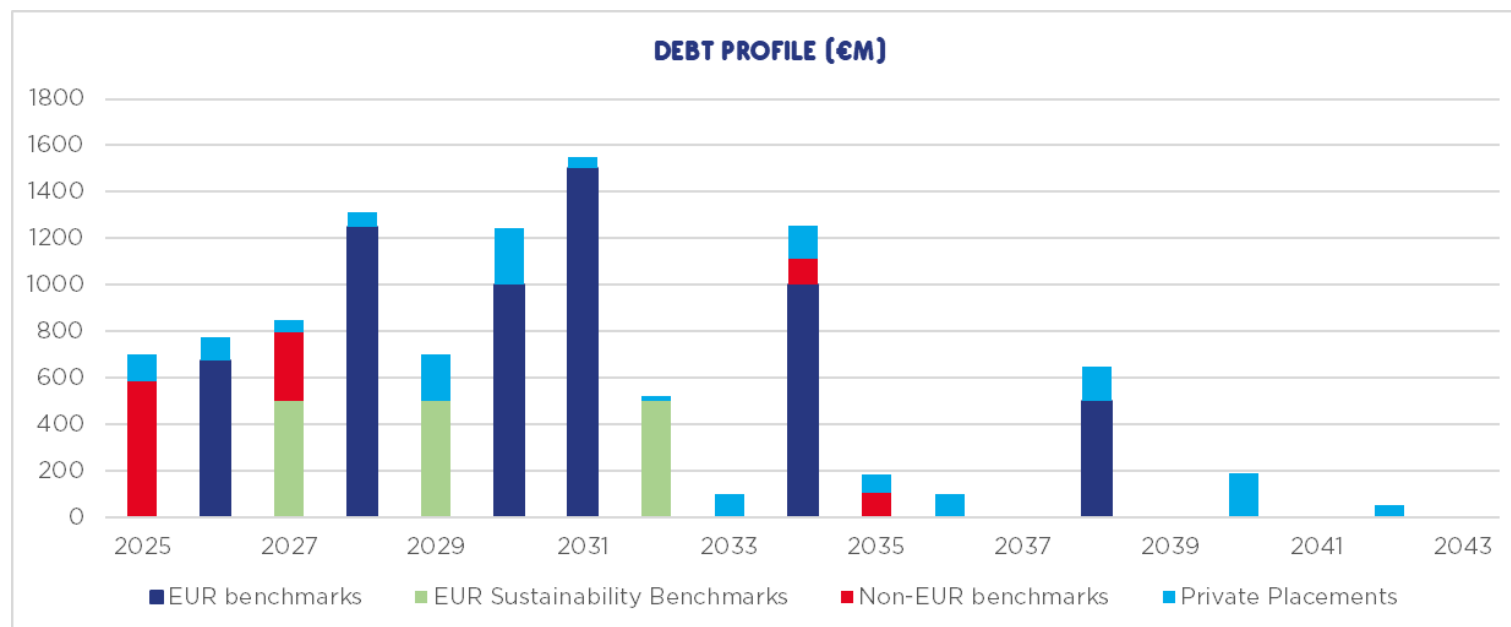


Municipality of Strasbourg - Ecodistrict

AFL's Bond Issues

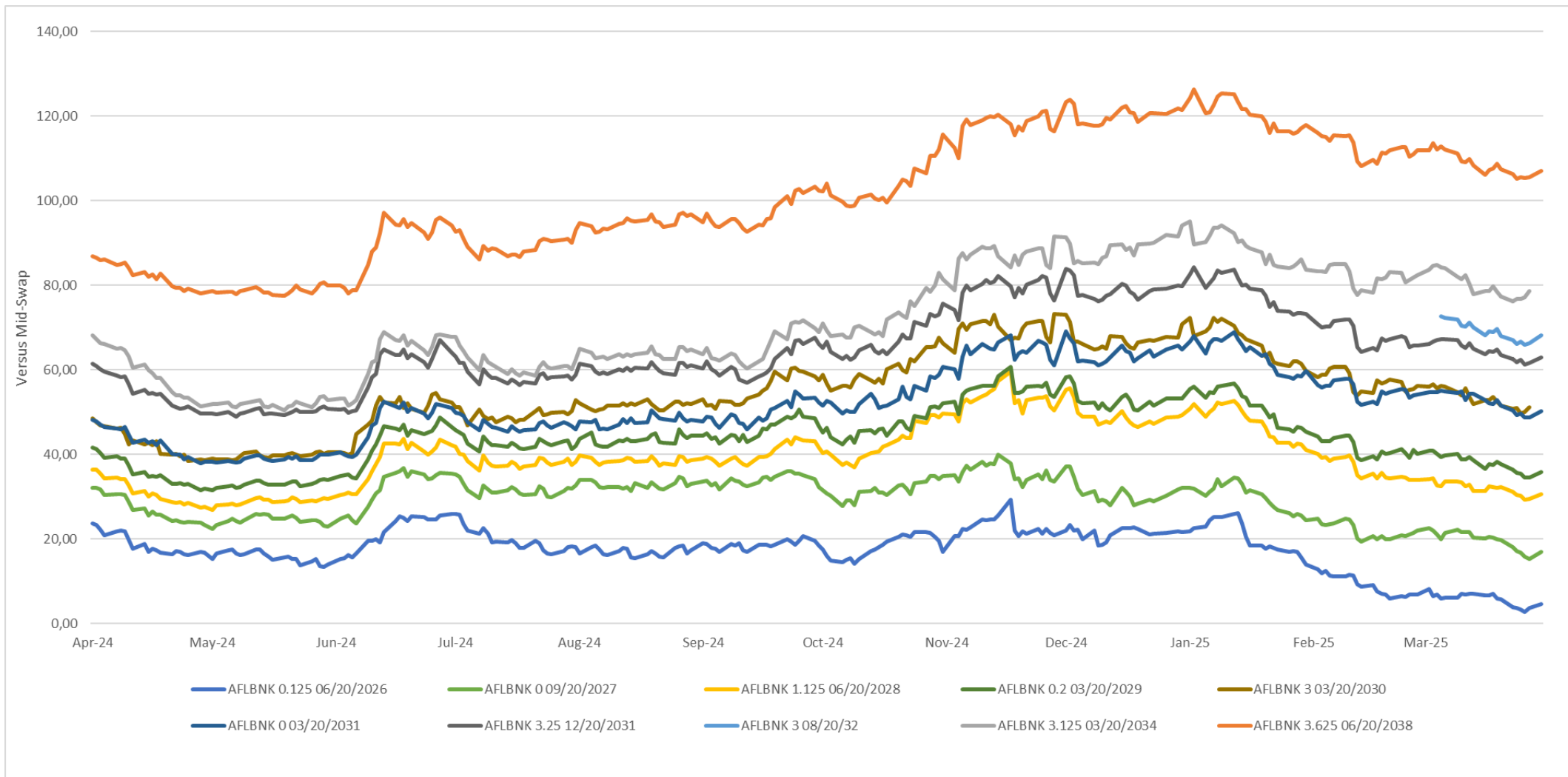
Since 2015, AFL is targeting at least one medium to long term euro benchmark per year.

	June 2025	June 2026	July 2027	Sept. 2027	June 2028	March 2029	March 2030	March 2031	Dec. 2031	Aug. 2032	March 2034	April 2034	April 2035	June 2038
<i>Outstanding Amount (in M)</i>	£500	€675	£250	€500	€1 250	€500	€1 000	€1 000	€500	€500	€1 000	CHF110	CHF100	€500
<i>Coupon</i>	1.375%	0.125%	4.75%	0.00%	1.125%	0.20%	3.00%	0.00%	3.25%	3.00%	3.125%	1.4778%	1.1623%	3.625%



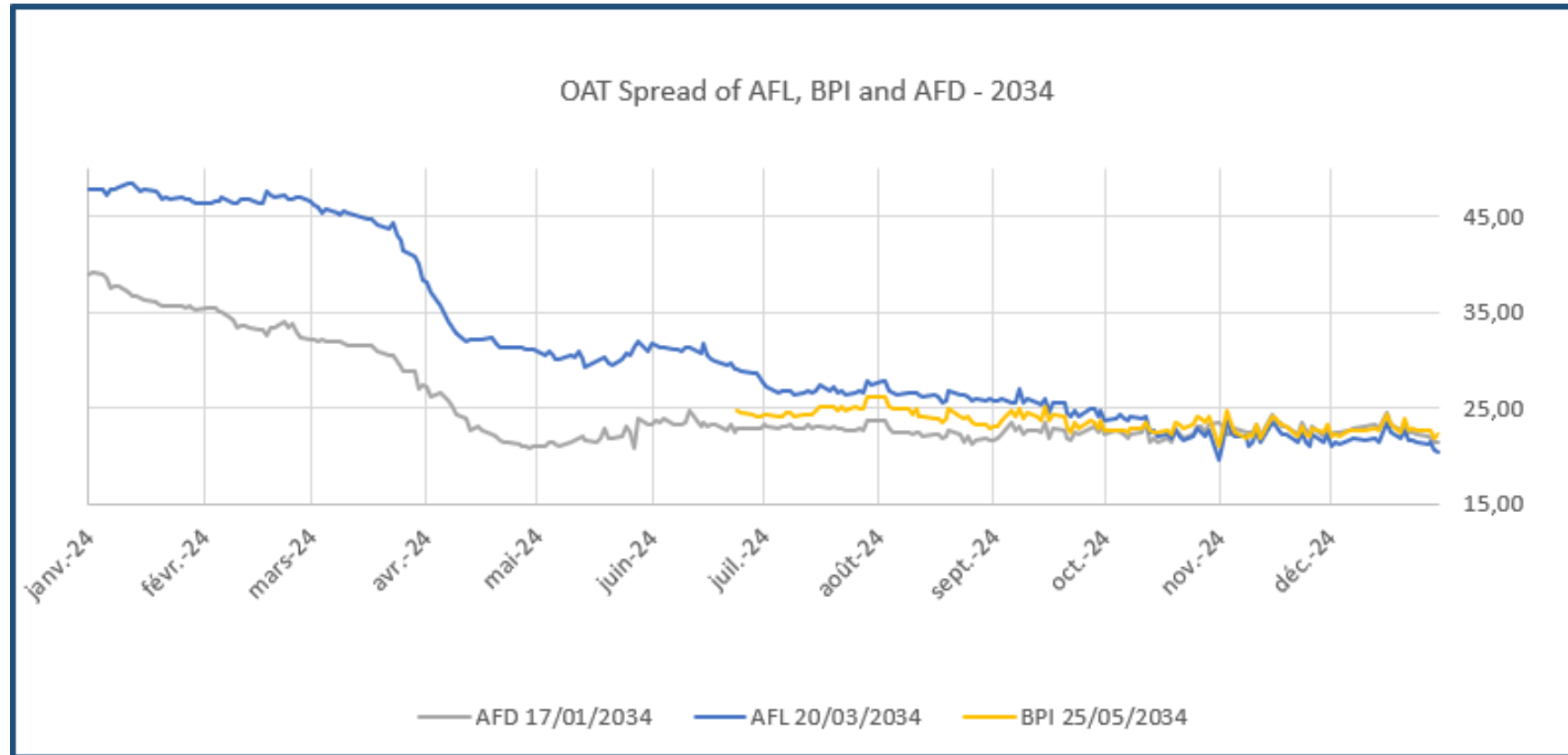
More than €10Bn
of outstanding debt

AFL's EUR Bond Issues



Data from Bloomberg

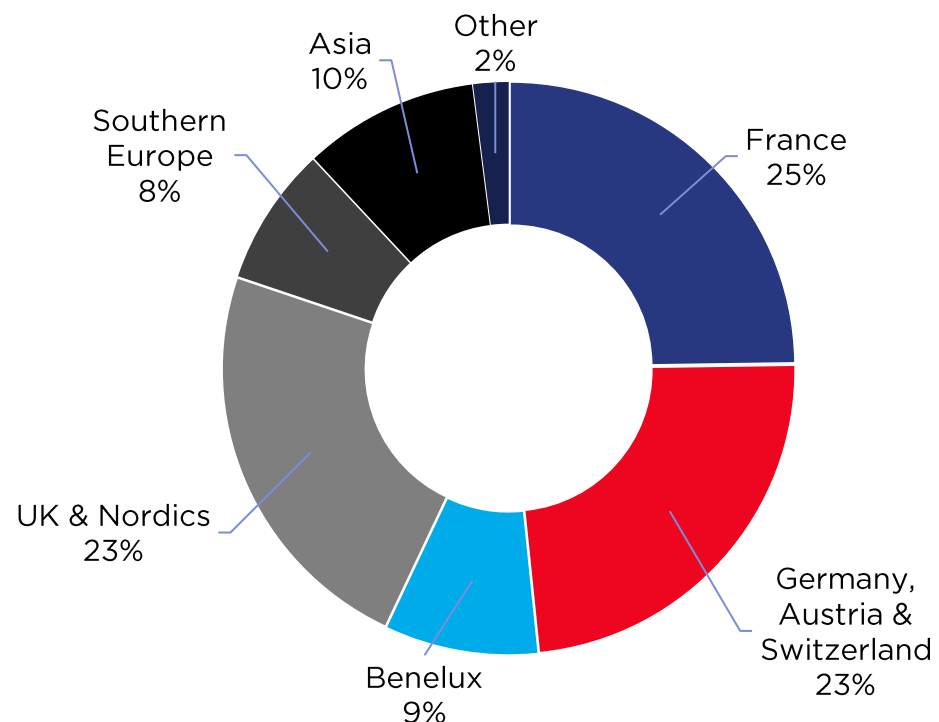
Performance of AFL's 2034 EUR Bond Issues (vs OAT)



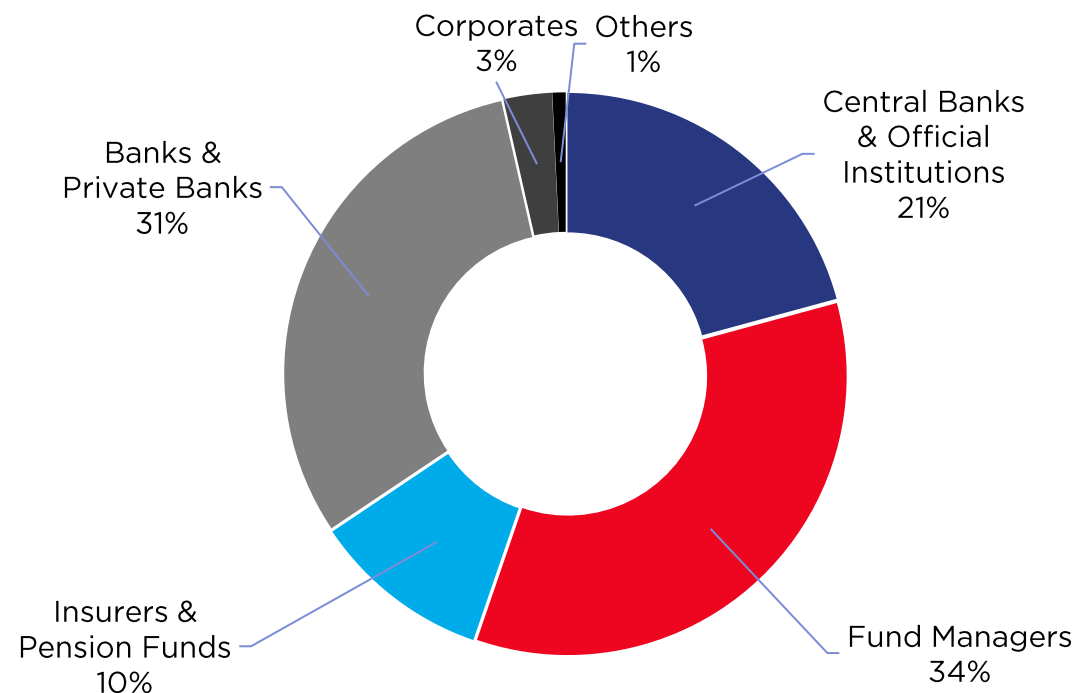
Data from Bloomberg

Aggregate Distribution of EUR Public Bond Issues

Geographical distribution



Distribution by type of investors



*AFL's investor base has been growing over the years.
Since the inaugural transaction around 300 investors have participated in AFL's EUR benchmark transactions.*

Sustainability Bonds



*Municipality of La Possession (in the
oversea territory of La Reunion)–
Construction of an artistic school*

AFL's commitment

Sustainability embedded in AFL's foundations and missions

Ensuring adequate financing to Local Authorities

AFL plays a critical role in supporting public infrastructure investments as one of the key lenders to the French local government sector (€9.1Bn of loans as of 31/12/2024)

Supporting local authorities in their environmental and social actions

Given the public interest of its mission and its long-term commitments, sustainability is at the very heart of AFL's business model

Robust and transparent operational rules and processes

Highest standards of management, a stringent methodology and a dedicated ESG framework

A dedicated governance structure for the Sustainable Bond

A Sustainable Bond Committee, composed from representatives of all critical departments is in charge of all the aspects of the Sustainable bond life cycle.

AFL is committed to the long term and sustainable development of local authorities

Sustainability Bonds Framework

Eligible assets reflecting main areas of intervention

MAIN AREAS OF INTERVENTION

CONTRIBUTION TO UN SDGs



- Encouraging access to education and culture by providing access to educational, sport, leisure and cultural facilities
- Supporting development of economic activity with the aim of promoting and retaining employment in underserved areas
- Supporting the access to essential health services
- Fostering social inclusion by providing equal access to essential services for vulnerable populations



- Contributing to energy transition and environmental sustainability by promoting a low-carbon and more climate resilient economy (low-carbon public transportation, renewable energies, etc.) and pollution prevention & control



- Promoting the development of the territories, urban transformations, reduction of the territorial divide, infrastructure development and public essential services
- Priority given to underserved areas



Sustainability Bonds Framework

Main processes

Selection of assets

Estimate the share of eligible expenditures within AFL's portfolio, through the following steps:

- Exhaustively screen the annual budget/financial statements of member Local Authorities (only investment expenditures are considered), applying AFL's methodology
- Calculate the share of eligible expenditure for each member Local Authority
- Apply on an individual basis to the portfolio of loans granted to Local authorities in a given year
- Sum to define the overall portfolio of eligible loans

Management of proceeds

Net proceeds tracked through AFL's internal management and accounting system

Commitment to reach full allocation to Eligible Loans within two years of the Sustainability Bond issuance.

Reallocation of proceeds on assets compliant with eligibility policy in case of divested or cancelled loans

Pending the full allocation of the net proceeds, proceeds will be held in compliance with AFL stringent investment policy

Sustainability Bonds Framework

Reporting and external review

Allocation and Impact report

Allocation reporting

- Total funds distributed per AFL's (i) main areas of intervention and (ii) Eligible categories.
- Total funds used for refinancing or allocated to new loans.
- Amount of unallocated proceeds (if any).

Impact reporting

- Number, type, and geographical distribution of local authorities financed.
- Contribution of the proceeds to the relevant UN Sustainable Development Goals (SDGs).

AFL is producing its reporting at least annually until full allocation of the Sustainability bond proceeds and thereafter if there are any material changes in this allocation.

External review

Ex-ante Second Party Opinion.

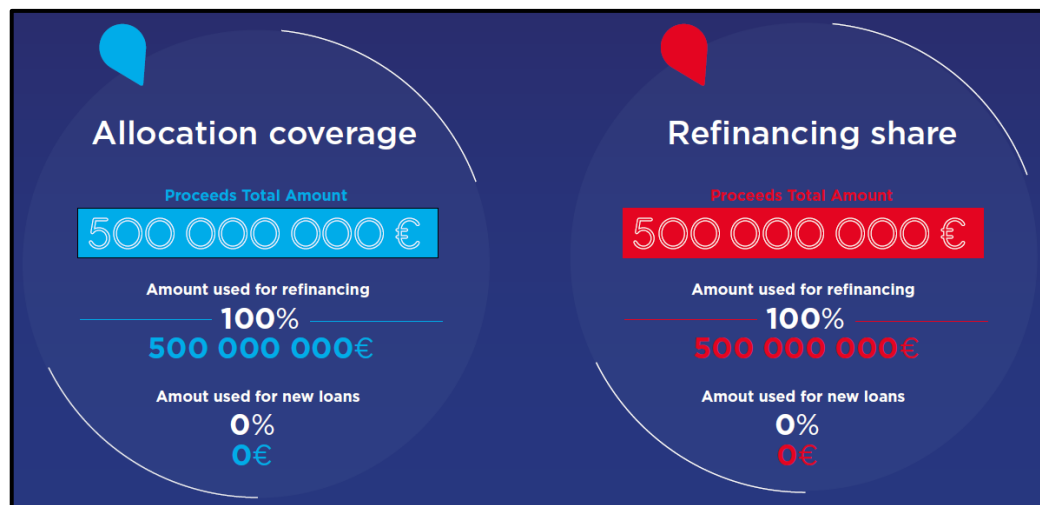
- A Second Party Opinion is provided by Moody's ESG Solutions expressing a « reasonable assurance » (the highest level of assurance).
- SPO complete version is available on AFL website.

Ex-post Third Party Assurance

- AFL is making public a limited or reasonable assurance report provided by an appointed independent third party.
- Verification of allocation of the proceeds in compliance (in all material respects) with the Eligibility Criteria defined in this Framework.
- Verification of the number of local authorities financed and the contribution of the proceeds to the SDGs, as defined in the Framework.
- 1st and 2nd Reporting validated by KPMG.

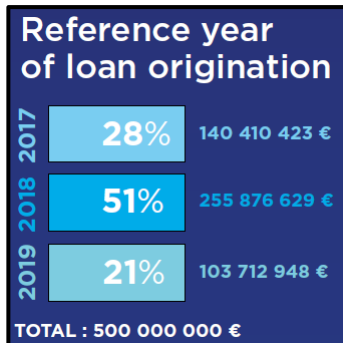
Allocation Reporting of the 1st issuance

Coverage and Framework alignment – audited by KPMG as at 31/12/21



Aligned with issuance announcement, full allocation at day 1, maintained as of reporting reference date (31/12/2021).

Aligned with AFL Sustainability Bond Framework, funds fully allocated to refinance eligible assets – this also allowed to ensure full allocation at day 1.



Aligned with AFL Sustainability Bond Framework, Funds allocated to refinance eligible assets in a lookback period of 3 years (max.) to the issuance year.

Funds distributed per Eligible categories

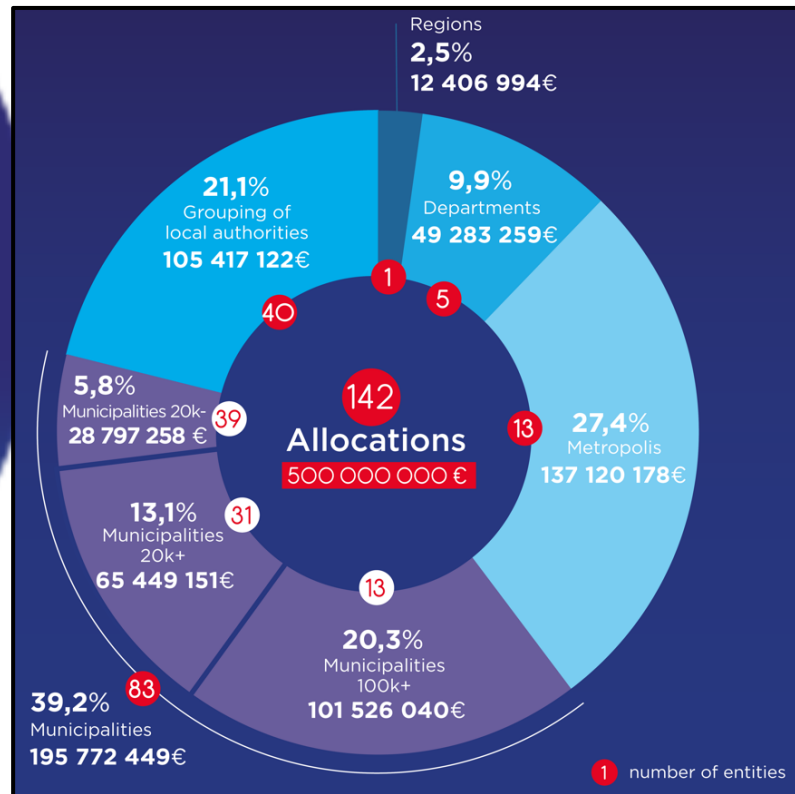
Framework categories	Allocation (in €)	Share
Access to essential and basic social services	287 612 023	57,5%
Education & Culture	242 345 597	48,5%
Employment	27 648 285	5,5%
Access to essential health services	2 578 923	0,5%
Social inclusion	15 039 218	3,0%
Energy and ecological transition	38 254 166	7,7%
Low-carbon public transportation	11 218 362	2,2%
Pollution Prevention & Control	27 005 324	5,4%
Renewable Energy	30 480	0,0%
Sustainable Infrastructure, development of cities and territorial cohesion	174 133 811	34,8%
Sustainable water and wastewater management	26 632 808	5,3%
Affordable Housing	64 778 217	13%
Affordable and sustainable infrastructure	82 722 785	16,5%
Total	500 000 000	100%

Funds allocated to all the AFL Sustainability Bond Framework categories and subcategories, genuinely representing the typical investment scope of French local governments.

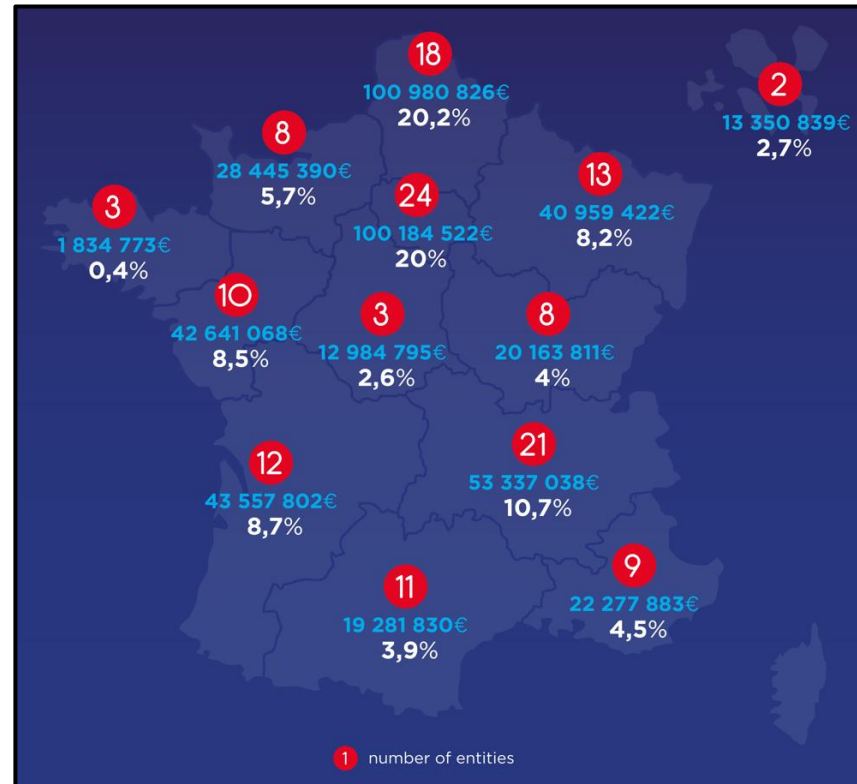
Impact Reporting of the 1st issuance

Audited by KPMG as at 31/12/21

Local authorities typologies



Geographical distribution of allocation

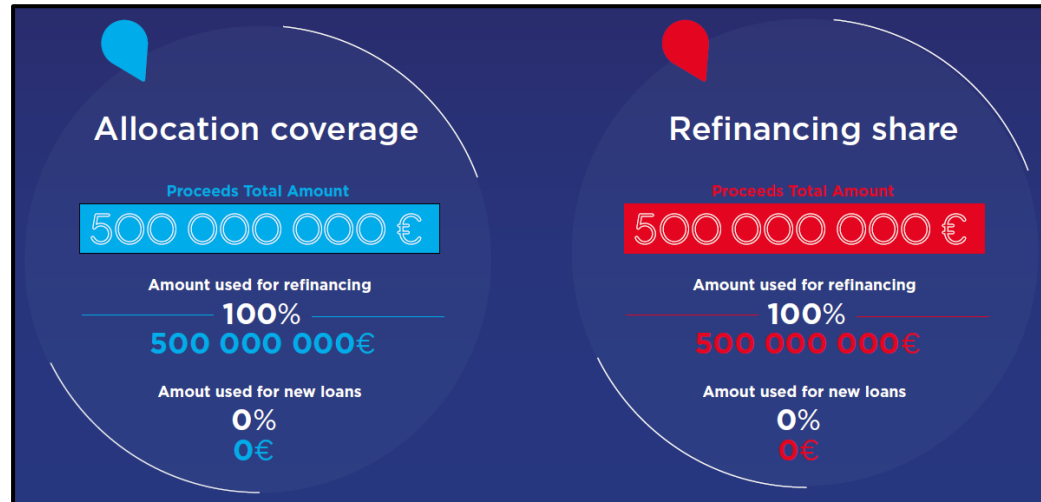


Contribution to UN SDG's



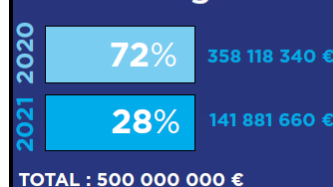
Allocation Reporting of the 2nd issuance

Coverage and Framework alignment – audited by KPMG as at 31/12/21



Aligned with issuance announcement, **full allocation at day 1**, maintained as of reporting reference date (31/12/2021).

Reference year of loan origination



Aligned with AFL Sustainability Bond Framework, funds fully allocated to **refinance eligible assets** – this also allowed to ensure full allocation at day 1.

Aligned with AFL Sustainability Bond Framework, Funds allocated to refinance eligible assets in a **lookback period of 3 years (max.)** to the issuance year.

Funds distributed per Eligible categories

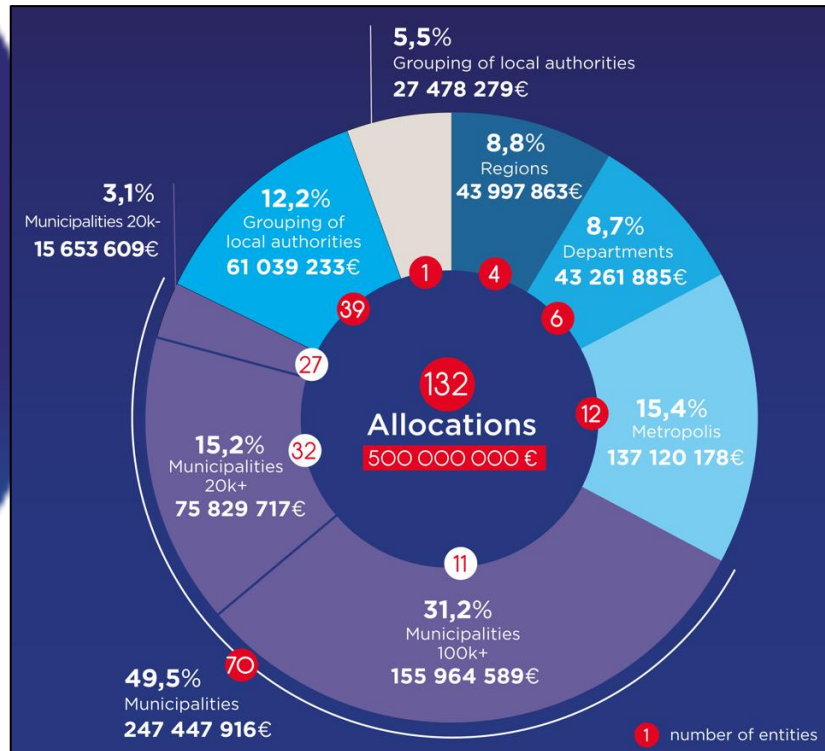
Framework categories	Allocation (in €)	Share
Access to essential and basic social services	277 286 263	55,5%
Education & Culture	236 911 173	47,4%
Employment	14 026 387	2,8%
Access to essential health services	1 625 876	0,3%
Social inclusion	24 722 826	4,9%
Energy and ecological transition	80 499 844	16,1%
Low-carbon public transportation	29 891 533	6,0%
Pollution Prevention & Control	50 581 778	10,1%
Renewable Energy	26 533	0,0%
Sustainable Infrastructure, development of cities and territorial cohesion	142 213 893	28,4%
Sustainable water and wastewater management	24 502 408	4,9%
Affordable Housing	45 369 247	9,1%
Affordable and sustainable infrastructure	72 342 239	14,5%
Total	500 000 000	100%

Funds allocated to all the AFL Sustainability Bond Framework categories and subcategories, genuinely representing the typical investment scope of French local governments.

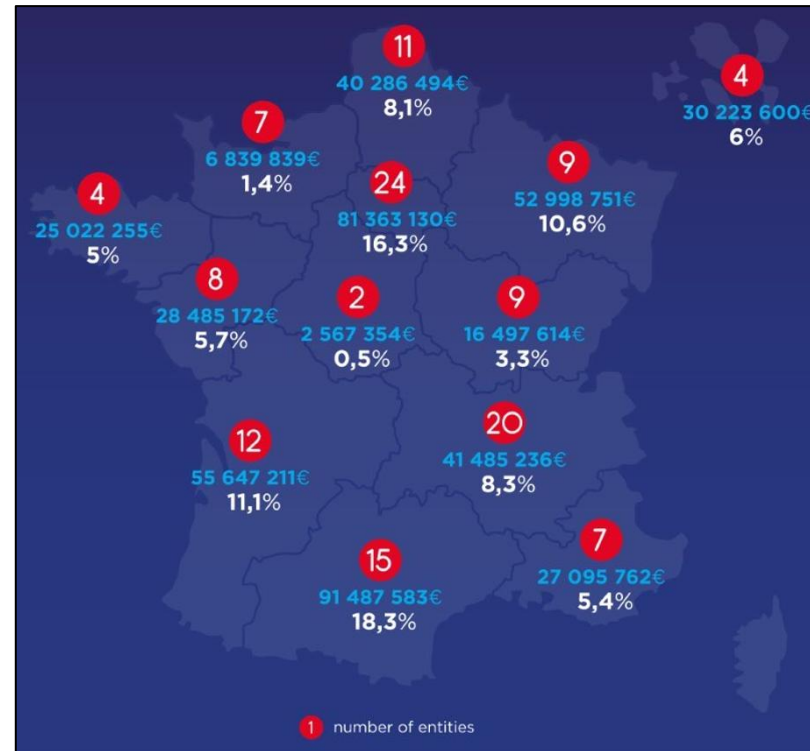
Impact Reporting of the 2nd issuance

Audited by KPMG as at 31/12/21

Local authorities typologies



Geographical distribution of allocation



Contribution to UN SDG's



Your Contacts At AFL



Romain NETTER
Executive Director – Medium and
Long-Term Funding



Yves MILLARDET
Chairman of the Executive Board



Thiebaut JULIN
Chief Financial Officer and
Member of the Executive board



Maëlien BOREL
Funding officer – Medium and
Long-Term Funding

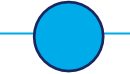


Pierre-Jean BAGILET
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2024 - Report



Appendices

App1 – French environment and datas



2nd European country by population : 68 million (2023 - INSEE)



1st European destination for foreign investment in 2023 (EY, 2024)



EU member since 1957 (founder),
UN Security council member



12th world country in the 2024 Environmental performance Index (Yale University)



Currency : €uro (founder)



GDP Growth : 1.1% (2024 - INSEE)



Consolidated public debt: 113% GDP



Ratings :
AA- / Negative (Fitch)
Aa2 / Stable (Moody's)
AA- / Negative (S&P)
AA (high) / Stable (DBRS)

App2 – French Local Authorities' competencies



Regions

Main responsibilities:
Economic development, transports and high schools



Departments

Main responsibilities:
Social work, public roads and middle schools



Groupings of local authorities

Tax-raising or non tax-raising groupings.
Main responsibilities: share investments in areas such as **transport, sewerage, waste management, wire...**



Local public entities

Manage public services on behalf of a local authority in areas such as **fire fighting, social support, ...**



Municipalities

General competency at local level (mainly **housing, environment, primary schools...**)

App3 – Conditions of Eligibility

1 Regulatory criteria

Debt relief capacity of local authorities (outstanding debt / operating revenues) over the last 3 years (on average) must be lower than :

- 12 years on average for municipalities, groupings and local public institutions.
- 10 years for departments.
- 9 years for regions.

If local authorities cannot fulfill the first criteria, they must satisfy a minimum level of self-financing capacity (3 years avg of operating expenditures + debt capital repayment)/revenues <100%).

Local authorities must ensure that AFL maintains a minimum banking leverage ratio of 1.7% through their direct or indirect participation in the governance of the group AFL.

App4 – Internal Scoring of Local Authorities

2 Scoring for local authorities based on a 3-step methodology :

1

For membership application a financial scoring is realized based on 3 criteria :

- Solvency assessment (55% weight)
- Budget sustainability (25% weight)
- Indebtedness (20%)

A local authority which is scored above 6 is not allowed to join Agence France Locale as a shareholder

2

- For the purpose of loan provision, in addition a socio-economic scoring is performed.

3

- Finally, the scoring is complemented by a qualitative analysis if :

- The financial score is > 5.5
- The requested loan amount is > 70 M€
- The debt capacity is $>$ regulatory thresholds (12 years for municipalities, groupings local authorities and EPL, 9 years for regions, and 10 years for departments)
- The local authority's outstanding debt amount with AFL is $> 75\%$ Required Capital

The qualitative analysis includes:

- Governance stability,
- Quality of management,
- Off balance sheet items and financial outlooks
- For municipalities, a climate vulnerability index is also computed.

App5 – Excerpt From The Law On The Creation Of AFL

Article 35 of the French Law no. 2013-672 of 26 July 2013 on the separation and regulation of banking activities , subsequently codified in Article L. 1611-3-2 of the French General Local Authorities Code (CGCT), allowed French local authorities to create a public company in the form of a limited company (société anonyme) governed by Book II of the French Commercial Code, whose corporate mandate is to contribute to their funding through a dedicated subsidiary company:

Article L. 1611-3-2 of the CGCT, as amended by Law No. 2015-991 of 7 August 2015 and further amended by article 67 of Law No. 2019-1461 of 27 December 2019, provides that “Local authorities, their groupings and local public institutions may create a public company in the form of a limited company (société anonyme) governed by Book II of the French Commercial Code in which they hold the totality of the share capital and whose corporate mandate is to contribute to their funding through a dedicated subsidiary company. This company and its subsidiary shall perform their activities exclusively on behalf of local authorities, their groupings and local public institutions. This financing activity shall be carried out by the subsidiary using resources mainly generated by issues of financial instruments, excluding resources received directly from the State or resources guaranteed by the State.

In derogation of the provisions of Articles L. 2252-1 to L. 2252-5, L. 3231-4, L. 3231-5, L. 4253-1, L. 4253-2 and L. 5111-4, local authorities, their groupings and local public institutions are authorised to guarantee all of the subsidiary’s commitments up to the amount of their own outstanding loans with said subsidiary. The conditions for the application of this guarantee are specified in the articles of association of the two companies.”

The Decree n° 2020-556 dated 11 May 2020, incorporated as article D 1611-41 of the CGCT, specifies the requirements that must be satisfied by local authorities, their groupings and local public institutions to become shareholders of said company. It determines the thresholds that may apply to their financial condition and level of indebtedness and which take into account their capacity as shareholders of said company and guarantor of said subsidiary.”

App6 – The First Demand Guarantee Mechanism

The Members' Guarantee and the Agence France Locale - Société Territoriale Guarantee are both independent first demand guarantees under Article 2321 of the Civil Code: they benefit holders of all securities issued and contracting parties of all acts concluded by Agence France Locale with the provision that these securities or acts shall apply based on the Guarantee of Agence France Locale or the Members' Guarantee:

"The independent guarantee is the undertaking by which the guarantor is bound by virtue of an obligation entered into by a third party to pay an amount either on-demand or in accordance with agreed terms.

The guarantor is not bound in the event of explicit abusive or fraudulent behaviour by the beneficiary or in the event of the latter colluding with the instructing party. The guarantor may not claim any exception against the guaranteed obligation.

Unless agreed otherwise, this security does not follow the guaranteed obligation."

App7 – Constant Strengthening of AFL's Equity

Share capital 100% held by local authorities

+

Annual profits added to retained earnings

+

Other components

=

Regulatory capital

- Each new local authority becomes a member through an initial capital contribution (ICC), valid for the entire duration of its membership
- The amount of this ICC is calculated based on the local authority's economic size:
 - $\text{Max}[kn \cdot 1,1\% \cdot (\text{total outstanding debt}) ; kn' \cdot 0,25\% \cdot (\text{total operating revenues})]$
- No member can become a major shareholder (quick and significant capital dilution)

With $kn = 1,125$ and $kn' = 1,2$

- Pay-out ratio of 5% maximum
- Objective to strengthen the capital base as a priority

App8 – The Budgetary «Golden Rule» for French Local Authorities

In its public report on local government finances published in October 2013*, the Cour des Comptes (National Court of Auditors) highlighted that local authorities “[...] represent in practice a sub-sovereign risk due to the golden rule: they must ensure that they are able to make capital repayments on their loans from their own resources and may only borrow to finance their investment needs. Compliance with this rule is guaranteed by the statutory budgetary audit mechanism involving regional and local Courts of Auditors acting at the behest of the State representative. It notably includes a procedure for rectifying excessive deficits in the accounts”

This rule ensuring balanced budgets is notably codified in Article L.1612-4 of the CGCT:

“The local authority budget is balanced when the operational and investment sections are both balanced and approved, with revenues and expenditures assessed in a faithful manner and when funding from the revenues of the operational section to the investment section, added to this section’s own revenues (excluding proceeds from borrowings) and to depreciation and provisions, provide sufficient resources to cover annual capital repayments falling due during the financial year.”

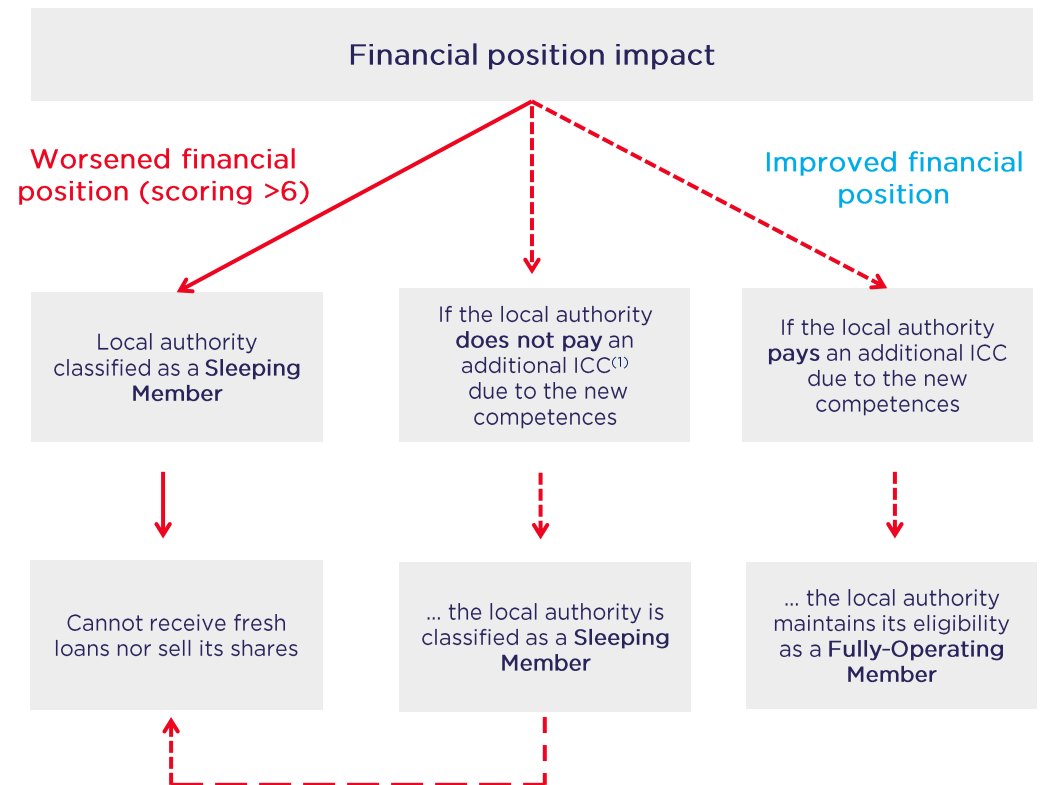
Article L.2331-8 of the CGCT states that proceeds from borrowings represent one of the non-tax revenue items of the investment section in local authority budgets. Borrowings correspond to long-term debts taken out during the period. Borrowings may also only be used for funding investment requirements and must be differentiated from short-term debts, which only cover annual requirements and which are not included in the budget.

App9 – A Strong and Stable Shareholder Base

In case a member requests to leave

- Each shareholder member cannot leave before a minimum 10-year lock-up period;
- Following the 10-year period, no member will be allowed to leave Agence France Locale unless it has fully repaid its loans;
- All members shall remain guarantors of AFL up to the level of their outstanding loans with AFL (principal, interest and incidentals) until they have fully repaid their loans;
- The leaving member is requested to find a new shareholder which has been approved by the Board of Directors of AFL - ST to acquire its shares.

In case of changes in the field of competences of a member local authority



App1O – Eligible Assets Detailed Matrix

	Eligible categories	Eligibility criteria → the (re)financing of expenditures that :	Target Population	Examples of eligible expenditures/investments	SDG
Access to essential and basic social services	Education & Culture	<ul style="list-style-type: none"> Provide access to educational infrastructure and services for all Provide access to sport, leisure and cultural infrastructure and services for all 	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Construction of new schools, campus, student housing. Financing public libraries, archives and museums 	
	Employment	Support development of economic activity with the aim of promoting and retaining employment in underserved local authorities*, including but not limited to: <ul style="list-style-type: none"> Socio economic development and advancement of territories Development of territorial attractiveness and competitiveness Support to economic insertion Support to social and solidarity-based enterprises 	Underserved Local Authorities*	<ul style="list-style-type: none"> Financing to SMEs, initiatives promoting the attractiveness of territories, professional transition trainings 	  
	Access to essential health services	Improve the capacity of Local Authorities to provide public healthcare services for all	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Financing the construction, development, maintenance or renovation of healthcare facilities, medical equipment 	
	Social inclusion	<ul style="list-style-type: none"> Provide access to essential care infrastructure and services for elderly people, people with disabilities, dependent persons Provide access to childcare facilities and services Provide financial support to low-income families 	Vulnerable population groups	<ul style="list-style-type: none"> Construction of facilities aimed at providing specialized assistance for elderly people. Financing nurseries and kindergartens 	 
Energy and ecological transition	Low-carbon public transportation	<ul style="list-style-type: none"> Contribute to the development, construction, and/or maintenance of low-carbon public transportation infrastructure Contribute to the development, construction, and/or maintenance of multi-modal transportation infrastructure for underserved Local Authorities* <i>Exclusion criteria : transportation expenditures related to air transports - road, river, maritime transports, in the absence of information allowing to confirm the environmental benefits</i>	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Financing the construction, equipping, or maintenance of low-carbon public transportation facilities, such as any new rail facilities for public use, multimodal links or cycleways 	 
	Pollution Prevention & Control	Contribute to pollution prevention & control including, but not limited to: <ul style="list-style-type: none"> soil remediation waste prevention, reduction and recycling <i>Exclusion criteria : average expenditures related to landfill are excluded - haircut based on national statistics</i>	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Financing public waste management facilities for waste reduction and recycling Financing prevention and awareness initiatives for waste reduction and recycling 	 
	Renewable Energy	Support the development of renewable energy with the aim of promoting energy transition and contributing to climate change mitigation. Eligible Renewable energy sources include: <ul style="list-style-type: none"> Wind energy Solar energy <i>Exclusion criteria : expenditures related to (i) hydropower, biomass biofuel, geothermal (ii) heating and cooling urban networks, and (iii) non-renewable energy sources are excluded</i>	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Financing the construction, equipping, or maintenance of renewable energy infrastructure (including wind and solar energy) 	
Sustainable Infrastructure, development of cities and territorial cohesion	Sustainable water and wastewater management	<ul style="list-style-type: none"> improve existing sanitation facilities and sewers improve wastewater treatment performance and provide better access to drinking water improve flooding mitigation 	All population of the targeted Local Authorities	<ul style="list-style-type: none"> Financing water network construction / maintenance / upgrade Financing wastewater treatment plants, such as sewage networks, wastewater treatment plants, sanitation facilities 	
	Affordable Housing	<ul style="list-style-type: none"> support social housing organisations support tenants to access housing provide other social support related to housing 	Social housing organisations, beneficiaries of rental assistance support schemes	<ul style="list-style-type: none"> Financing social housing, subsidies to social housing organisations, financial-aid programs to support tenants 	
	Affordable and sustainable infrastructure	Support the development of quality and sustainable infrastructures for all in underserved Local Authorities*, including but not limited to: <ul style="list-style-type: none"> development of public infrastructures supporting the improvement of living conditions in urban and/or rural agglomerations of underserved area construction, rehabilitation, maintenance of public buildings, lighting and infrastructure 	Underserved Local Authorities*	<ul style="list-style-type: none"> Financing the renovation, upgrade, safety of existing public buildings and public infrastructure. Financing public lighting. Financing facilities supporting rural development 	  

*Underserved Local Authority is defined as any Local Authority which is ranked within the bottom third based on an internal scoring, derived from public data and statistics: rate of unemployment, Share of long-term unemployment, Share of population leaving in priority neighborhood, Poverty rate.....

App11 – Sustainable Bond SPO

Moody's
ESG Solutions

Second Party Opinion

- ✓ Moody's ESG Solutions is of the opinion that the Sustainable Bond Framework of AFL is **aligned with the four core components of the Green and Social Bond Principles 2018**.
- ✓ Moody's ESG Solutions express a **reasonable** assurance (our highest level of assurance) on the Issuer's commitments and on the Framework's contribution to sustainability, except for 2 out of the 10 eligible categories ("2.2. pollution prevention and control", and "3.3 affordable and sustainable infrastructures") for which we express a moderate assurance, due to unclear management of the inherent risks or to unclear environmental/social benefits.
- ✓ Moody's ESG Solutions is of the opinion that the Framework prepared by AFL is coherent with the main sustainability issues of its sector, with AFL's main sustainability priorities and commitments; and that it contributes to the realisation of these commitments.
- ✓ SPO available on AFL's corporate website.

App12 – The Company's Mission



“To embody a responsible finance to strengthen the local world’s empowerment so as to better deliver the present and future needs of its inhabitants.”



Manifesto from member local authorities

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



Amiens metropolis – Electric bus



April 25

