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Confirmation of your Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Notes to be issued under the Programme, you must not be a U.S. person (as defined in Regulation S under the Securities Act) and must be outside the United States. By accepting the e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that (i) you and any customers you represent are not U.S. persons and are not located in the United States; (ii) the electronic mail (or e-mail) address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; (iii) you consent to delivery of such Base Prospectus by electronic transmission; (iv) you acknowledged that the attached Base Prospectus is a free non binding translation of the original French language version which is communicated to you for information purposes only.



**Agence France Locale**  
**€ 3,000,000,000**  
**Euro Medium Term Note Programme**

**Benefiting from first demand guarantees mechanism granted by Agence France Locale – Société Territoriale and by the members of the Agence France Locale Group having subscribed for a loan with the Issuer**

Under the Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Agence France Locale (the **Issuer**) may, at any time, in compliance with all applicable laws, regulations and directives, issue notes (the **Notes**). Payment of all amounts due under the Notes will benefit from (i) a first demand guarantee (*garantie autonome à première demande*) by Agence France Locale – Société Territoriale (**ST**) (the **ST Guarantee**), and (ii) first demand guarantees by local authorities (*collectivités territoriales*) and the *établissements publics de coopération intercommunale à fiscalité propre*, members of the Agence France Locale group (the **Members**), equal to the outstanding amount of the loans for which they will have subscribed with the Issuer (together with ST, the **Guarantors**) (the **Member Guarantees**, together with the ST Guarantee, the **Guarantees**). The terms of the Guarantees and the provisions for determining their limits are set out in this Base Prospectus in section "Description of the Guarantees".

The aggregate nominal amount of Notes outstanding at any time may not exceed € 3,000,000,000 (or the equivalent of such amount in any other currency, determined on the issue date). The Notes will constitute *obligations* under French law.

Application may, under certain circumstances be made for Notes to be admitted to trading on Euronext in Paris (**Euronext Paris**). Euronext Paris is a regulated market as defined in Directive 2004/39/EC dated 21 April 2004 as amended, (a **Regulated Market**). Notes may also be admitted to trading on another Regulated Market of a member State of the European Economic Area (**EEA**) or on a non-regulated market or not admitted to trading on any market. The final terms prepared for an issue of Notes (the **Final Terms**), based on the form set out in this Base Prospectus, shall specify whether or not such Notes shall be admitted to trading on a regulated market and shall list, if applicable, the relevant Regulated Market(s). The relevant Final Terms shall also specify whether or not the Notes shall be offered to the public in one or more member states of the EEA. This Base Prospectus has been submitted for the approval of the *Autorité des marchés financiers* (**AMF**) which has granted it visa No.15-079 on 6 March 2015.

The Notes may be issued in dematerialised form (**Dematerialised Notes**) or materialised form (**Materialised Notes**), as more fully described in the Base Prospectus. Dematerialised Notes will be entered in an account in accordance with articles L.211-3 *et seq.* of the French *Code monétaire et financier*. No physical document of title shall be issued in respect of Dematerialised Notes.

Dematerialised Notes may be issued, at the option of the Issuer, either (a) in bearer form, inscribed on their date of issue in the books of Euroclear France (acting as central depository), which shall credit the accounts of the Account Holders (as defined in "Terms of the Notes - Form, denomination, title, redenomination and consolidation") including Euroclear Bank S.A./N.V. (**Euroclear**) and the depository bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) or (b) in registered form and, in such case, at the option of the relevant Noteholder (as defined in "Terms of the Notes - Form, denomination, title, redenomination and consolidation"), either in pure registered form (*au nominatif pur*), in which case they shall be entered in an account maintained by the Issuer or any registration agent (as specified in the relevant Final Terms) on behalf of the Issuer, or in administered registered form (*au nominatif administré*), in which case they shall be entered in the accounts of the Account Holder nominated by the relevant Noteholder.

Materialised Notes shall be issued in bearer form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (**Temporary Global Certificate**) shall be issued initially in respect of the Materialised Notes. Such Temporary Global Certificate shall subsequently be exchanged for Materialised Notes represented by physical notes (**Physical Notes**) together with, if applicable, interest coupons, on a date falling at the earliest approximately forty (40) calendar days after the issue date of the Notes (unless postponed, as described in section "Temporary Global Certificates in respect of Materialised Notes") upon certification that the Notes are not being held by U.S.

Persons in accordance with U.S. Treasury regulations, as more fully described in this Base Prospectus. The Temporary Global Certificates shall be deposited (a) in the case of a Tranche (as defined in the "Summary of the Programme") intended to be cleared through Euroclear and/or Clearstream, Luxembourg, on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg, or (b) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg or delivered outside any clearing system, in the manner agreed between the Issuer and the relevant Dealer (as defined below).

The Issuer has been assigned an Aa2 rating with a negative outlook by Moody's France SAS (**Moody's**). The Programme has an Aa2 rating assigned by Moody's on 6 March 2015. Notes issued under the Programme may or may not be attributed a rating. The rating attributed to the Notes, if any, shall be specified in the relevant Final Terms. The rating of the Notes may not necessarily be the same as that of the Programme. A rating is not a recommendation to buy, sell or hold Notes and may be suspended, amended or withdrawn at any time by the relevant rating agency. On the date of this Base Prospectus, Moody's is a rating agency established in the European Union and registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and Council of 16 September 2009 relating to credit rating agencies as amended (the **CRA Regulation**) and is included on the list of credit rating agencies published on the European Financial Markets Authority website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with the CRA Regulation.

**Investors should be aware of the risks described in section "Risk factors" before making any decision to invest in Notes issued under this Programme.**

This Base Prospectus, any supplement thereto and, so long as any Notes are admitted to trading on a Regulated Market or offered to the public in accordance with directive 2003/71/EC as amended (the **Prospectus Directive**), the applicable Final Terms shall be (a) published on the websites of (i) the AMF ([www.amf-france.org](http://www.amf-france.org)) and (ii) the Issuer (<http://www.agence-france-locale.fr>) and (b) available for inspection and obtaining copies, free of charge, during normal office hours, on any weekday (except on Saturdays, Sundays and public holidays) at the specified office of the Fiscal Agent or the Paying Agent(s).

**Arrangers**

**HSBC**

**NATIXIS**

**Dealers**

**ANZ**

**BNP PARIBAS**

**Citigroup**

**Crédit Agricole CIB**

**Daiwa Capital Markets Europe**

**HSBC**

**NATIXIS**

**J.P Morgan  
TD Securities**

**Société générale Corporate & Investment  
Banking**

**This Base Prospectus (together with any supplement thereto) constitutes a base prospectus for the purposes of article 5.4 of Prospectus Directive containing all information required by the competent authority on the Issuer and on the Guarantors, further details of which can be found on the website of the Issuer (<http://www.agence-france-locale.fr>) to enable investors to make an informed assessment of the assets, business, financial position, results and prospects of the Issuer, ST and, to a limited extent, the Member Guarantors as well as of the rights attached to the Notes. Each Tranche (as defined in "Summary of the Programme") of Notes shall be issued in accordance with the provisions set forth in "Terms of the Notes" of this Base Prospectus, as completed by the provisions of the applicable Final Terms agreed between the Issuer and the relevant Dealers (as defined in "Summary of the Programme") at the time of issue of such Tranche. The Base Prospectus (together with any supplement thereto) combined with the Final Terms shall constitute a prospectus for the purposes of article 5.1 of the Prospectus Directive.**

**The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Base Prospectus is, to its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility for the information contained in this Base Prospectus.**

**In connection with the issue or sale of any Notes, no person has been authorised to provide any information or make any representations other than as set forth in this Base Prospectus. No such information or representation may be treated as having been authorised by the Issuer, the Arrangers or any of the Dealers. Neither the delivery of this Base Prospectus nor any sale made on the basis of this document shall under any circumstances imply that there has been no adverse change in the situation, in particular the financial situation, of the Issuer or the Guarantors since the date of this Base Prospectus or since the date of the most recent supplement to this document, or that any other information provided in connection with this Programme is accurate on any date subsequent to the date on which it was provided or, if different, the date indicated on the document containing such information.**

**The distribution of this Base Prospectus and the offering or sale of any Notes may be restricted by law in certain countries. Neither the Issuer nor the Dealers give any warranty that this Base Prospectus will be distributed in accordance with the law, or that the Notes will be offered in accordance with the law, in compliance with any applicable registration or any other requirement in any jurisdiction or pursuant to any available exemption and they shall not be held liable for having facilitated any such distribution or offering. In particular, neither the Issuer nor the Dealers have taken any action with a view to offering Notes to the public or distributing this Base Prospectus in any jurisdiction where action for such purpose is required. Accordingly, Notes may not be offered or sold, directly or indirectly, and neither this Base Prospectus nor any other offering material may be distributed or published in any jurisdiction, except in compliance with all applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may fall must inform themselves about and comply with such restrictions concerning the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offering and sale of Notes in the United States of America and in the EEA (notably in France, Italy and the United Kingdom).**

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority in any state or other jurisdiction of the United States of America and the Notes may include Materialised Notes in bearer form subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Materialised Notes in bearer form, delivered in the United States of America or to, or on behalf of or for the benefit of, U.S. Persons as defined in Regulation S of the U.S. Securities Act ("Regulation S") or, in the case of certain Materialised Notes in bearer form, in the U.S. Internal Revenue Code of 1986, as amended (*U.S. Internal Revenue Code of 1986*) and regulations thereunder.**

Notes shall be offered and sold outside the United States of America to non-U.S. Persons in accordance with Regulation S.

The section "Subscription and Sale" of this Base Prospectus contains a description of certain restrictions applicable to the offer, sale and transfer of Notes and the distribution of this Base Prospectus.

In certain circumstances and under certain conditions, the Issuer has given its consent to the use of this Base Prospectus, of any related supplement and of the relevant Final Terms by any duly authorised financial intermediary. Please refer to section "Conditions relating to the Issuer's consent to the use of the Prospectus".

This Base Prospectus constitutes neither an invitation nor an offer by or on behalf of the Issuer, the Guarantors, the Dealers or the Arrangers to subscribe for or purchase Notes.

Neither the Issuer nor any Dealer makes any representation to any prospective investor in the Notes as to the lawfulness of their investment under applicable laws. Any prospective investor in the Notes must be capable of assuming the economic risks implied by its investment in the Notes for an unlimited period of time.

Neither the Arrangers nor any of the Dealers has verified the information contained in this Base Prospectus. Neither the Arrangers nor any of the Dealers makes any express or implied representation, nor accepts any liability, as to the accuracy or completeness of any information contained in this Base Prospectus. The Base Prospectus is not intended to provide the basis of any credit or other evaluation and must not be treated as a recommendation by the Issuer, the Guarantors the Arrangers or any of the Dealers to any recipients of this Base Prospectus to buy Notes. Each prospective investor in Notes must make his own assessment of the relevance of the information contained in this Base Prospectus and his decision to purchase Notes must be based on such research as he deems necessary. Neither the Arrangers nor any of the Dealers undertake to review the financial situation or affairs of the Issuer or the Guarantors during the life of this Base Prospectus, and do not undertake to pass on to any investor or prospective investor any information of which they become aware.

In connection with the issue of any Tranche, any of the Dealers may act as stabilisation manager (the Stabilisation Manager). The entity acting as Stabilisation Manager shall be specified in the relevant Final Terms. For the purposes of an issue, the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or take action with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail in the absence of such action (the Stabilisation Measures). However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake such Stabilisation Measures. Such Stabilisation Measures may only commence after the date on which the Final Terms of the issue of the relevant Tranche have been made public and, once commenced, may be terminated at any time and must end no later than the earlier of the following two dates: (a) thirty (30) calendar days after the issue date of the relevant Tranche and (b) sixty (60) calendar days after the date of allotment of the Notes of the relevant Tranche. Any Stabilisation Measures taken must comply with all applicable laws and regulations.

In this Base Prospectus, unless otherwise provided or the context requires otherwise, any reference to "€", "Euro", "EUR" and "euro" refers to the lawful currency in the Member states of the European Union that have adopted the single currency introduced in accordance with the Treaty establishing the European Economic Community, any reference to "£", "pound sterling" and "Sterling" refers to the lawful currency in the United Kingdom, any reference to "\$", "USD", "U.S. dollar" and "American dollar" refers to the lawful currency in the United States of America, any reference to "¥", "JPY" and "yen" refers to the lawful currency in Japan and any reference to "CHF" and "Swiss francs" refers to the lawful currency in the Swiss Confederation.

**The Guarantors have not reviewed this Base Prospectus (or any supplements thereto) or verified the information contained or incorporated by reference herein. The Guarantors do not therefore express, imply, represent or accept any responsibility for the accuracy or completeness of any information, including information relating to the Guarantors themselves, contained in this Base Prospectus or any statement made on their behalf by the Issuer in this Base Prospectus or the offering or issue of any Notes. They shall, therefore, be in no way liable, whether through contract or tort, for the content of this Base Prospectus, any supplement hereto, or any statement herein.**

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## GLOSSARY

Capitalised terms used in this Base Prospectus will have the meaning set out below.

<b>AA</b>	means the administrative accounts voted on by the Members
<b>ACPR</b>	means the French Prudential Supervisory Authority ( <i>Autorité de Contrôle Prudentiel et de Résolution</i> )
<b>AFEP</b>	means the French Association of Private Companies ( <i>Association Française des Entreprises Privées</i> )
<b>Agence France Locale Group</b>	means the group comprised of the Issuer and ST
<b>Beneficiaries</b>	mean the holders of any debt securities issued or contracting parties to any of the deeds entered into by the Issuer stipulating that such instruments and/or deeds are covered by the Member Guarantee
<b>CDC</b>	means the <i>Caisse des dépôts et consignations</i>
<b>CGCT</b>	means the French Local Authority Code ( <i>Code général des collectivités territoriales</i> )
<b>Code AFEP-MEDEF</b>	means the corporate governance code of the <i>Association Française des Entreprises Privées</i> (French Association of Private Companies - <b>AFEP</b> ) and the <i>Mouvement des Entreprises de France</i> (French Business Confederation - <b>MEDEF</b> ), as amended in June 2013.
<b>CRA Regulation</b>	means Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.
<b>CRC</b>	means the regional accounting offices ( <i>chambres régionales des comptes</i> ) established by French law no. 82-213 of 2 March 1982
<b>CTC</b>	means the Local Authority of Corsica established under French law no. 82-214 of 2 March 1982 <i>on the special status of the Corsican region</i>
<b>DGF</b>	means the global operating grant ( <i>dotation globale de fonctionnement</i> )
<b>EIB</b>	means the European Investment Bank
<b>EPCI</b>	means public inter-communal cooperative institutions ( <i>établissements publics de coopération intercommunale à fiscalité propre</i> )
<b>French law of 12 July 1999</b>	means law no.°99-586 of 12 July 1999 <i>on the strengthening and simplification of inter-municipal cooperation</i>
<b>French law of 13 August 2004</b>	means law no.°2004-809 of 13 August 2004 <i>on the local liberties and responsibilities</i>



<b>French law of 26 July 2013</b>	means law no.°2013-672 of 26 July 2013 <i>on the separation and regulation of banking activities</i>
<b>Groupings</b>	means the municipalities that belong to an EPCI that levies their own taxes
<b>Initial Capital Contribution (or ICC)</b>	means the Members' initial capital contribution to the Agence France Locale Group
<b>Issuer</b>	means Agence France Locale
<b>k, k' and k''</b>	means the coefficients that are equal to or greater than one (1), which will be determined by Company's Board of Directors on an AFL Executive Board proposal and Supervisory Board opinion, in relation to economic and financial criteria to ultimately ensure the Agence France Locale Group's capital adequacy in light of its mandate
<b>Local Authority</b>	means the local authorities and the public inter-communal cooperative institutions that levy their own taxes
<b>MAPTAM law</b>	means law no.°2014-58 of 27 January 2014 <i>on the modernisation of the territorial public action and affirmation of metropolitan areas</i>
<b>MEDEF</b>	means the French Business Confederation ( <i>Mouvement des Entreprises de France</i> )
<b>Member Guarantee</b>	means the guarantee granted autonomously by each of the Members having subscribed for a loan with the Issuer
<b>Members</b>	means the Local Authorities who have completed the membership process and accordingly have become shareholders of the Issuer' parent company
<b>Operating revenues</b>	mean the total actual operating revenues recognised in the management account of the Local Authority applying for membership, with respect to the third-to-last year preceding the date on which decision on the Local Authority's membership becomes enforceable unless such Local Authority has not closed out a minimum of two financial years as of the date thereof
<b>PB</b>	means the Members' Preliminary Budgets
<b>SB</b>	means the Members' Supplementary Budgets
<b>SFIL</b>	means the <i>Société de Financement Local</i>
<b>Shareholders' Agreement</b>	means the shareholders' agreement of the Agence France Locale Group, signed on 24 June 2014 among the Issuer, ST and the Members
<b>Sleeping Member</b>	means any Member to whom this status has been attributed in accordance with the provisions of the Shareholders' Agreement and, in particular, is no longer eligible to benefit from the financial services offered by the Agence France Locale Group or from any new loans granted by the Issuer
<b>ST</b>	means the parent company of the Issue, Agence France Locale – Société Territoriale
<b>ST Guarantee</b>	means the guarantee granted by ST

***Total debt***

means total outstanding loans recognised in management account of the Local Authority applying for membership, with respect to the third-to-last year preceding the date on which the decision on the Local Authority's membership becomes enforceable, unless such Local Authority has not closed out a minimum of two financial years as of the date thereof

## PRESENTATION OF THE ISSUER

### Characteristics and mandate

Agence France Locale Group is based on a dual structure comprising **Agence France Locale - Société Territoriale** (ultimate holding company with the status of financial company) and **Agence France Locale** (a specialised credit institution). Together the two companies make up Agence France Locale Group. The Group's governance aims to:

- separate the operational management of the specialised credit institution (Agence France Locale) from the Member Authorities which retain supervisory powers through Agence France Locale - Société Territoriale; and
- lead to greater stakeholder accountability through a system of checks and balances which involves a supervisory board made up of independent experts and a minority of representatives from Member Authorities and the board of directors of Agence France Locale - Société Territoriale composed of representatives of Member Authorities.

The establishment of Agence France Locale was authorised by article 35 of the Law no. 2013-672 dated 26 July 2013 on the separation and regulation of banking activities, which was codified in article L. 1611-3-2 of the French *Code général des collectivités territoriales*.

The agency was formally established on 22 October 2013 - the date on which its deed of constitution was signed - and was granted a banking license in its capacity as specialised credit institution on 22 December 2014 by the French Prudential Supervisory Authority. On 29 January 2015 the rating agency Moody's assigned it a long-term rating of Aa2 with a negative outlook, in line with that of the French State.

Agence France Locale aims to play a complementary role in the financing of local investment, while recognising that banking partners remain the legitimate and necessary actors in local authority financing.

Its model is based on recourse to market finance through bond issuances in order to grant fixed rate and simple floating rate credits to local authorities and public inter-communal cooperative institutions which are themselves the agency's members and shareholders.

The main missions of Agence France Locale - Société Territoriale are as follows:

- shareholder representation;
- guarantee mechanism management;
- appointing the supervisory board of the credit institution; and
- setting the overall strategic direction.

The main missions of Agence France Locale, a credit institution of which more than 99.99% of the share capital is owned by Agence France Locale– Société Territoriale, are as follows:

- the daily operational management of financial activities;
- fund-raising in bond markets; and

- providing loans exclusively to Member Authorities.

As at the date of the Base Prospectus there are 91 Member Authorities. They have committed to subscribe for a total amount of 110 million Euros of the share capital of Agence France Locale – Société Territoriale of which 55 million has been paid up as at the date of this Base Prospectus. Member Authorities are able, if they so wish, to transfer their Initial Capital Contribution (ICC) in three tranches spread over three years.

The subscription amount is defined for each local authority according to its financial situation, as resulting from the application of a formula described in paragraph 4.2 (b) (ii) of section "Description of the guarantors and the guarantee mechanism" of this Base Prospectus and which retains the maximum amount calculated under either its debt profile (its debt reserves) or the amount of real operating income shown in its budget.

### **Economic and financial model**

The Agence France Locale model is built around a first call guarantee system. This is in fact a dual guarantee mechanism involving:

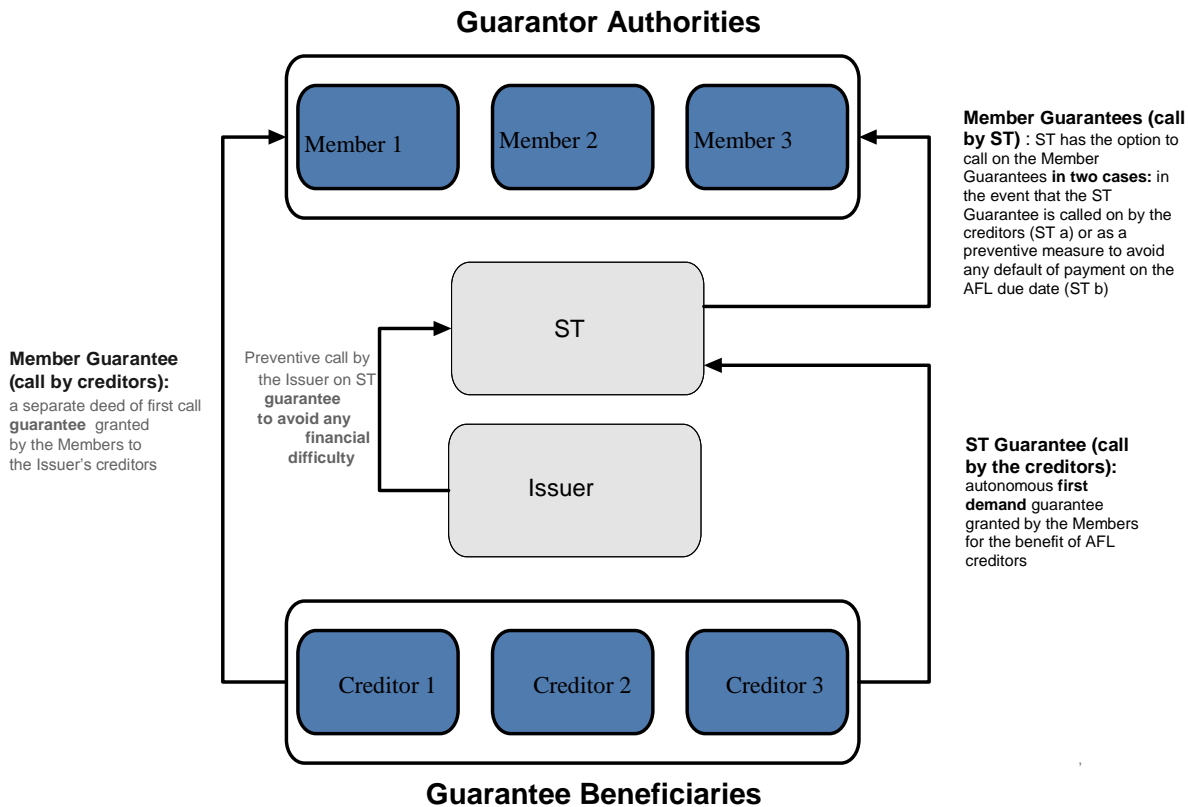
- Member Authorities directly through the “Members Guarantee” which allows any creditor of Agence France Locale to call directly on the guarantee undertakings made by the Member Authorities. In accordance with article L. 1611-3-2 of the *Code général des collectivités territoriales*, this guarantee is capped at the amount of the outstanding loans subscribed by each Member Authority with Agence France Locale. This means that a creditor can call on the guarantee undertakings from several Member Authorities;
- Agence France Locale – Société Territoriale through the “Société Territoriale Guarantee”. Creditors can directly call on the guarantee of Société Territoriale.

This dual mechanism allows beneficiaries to have both the ability to call on the guarantee undertakings made by the multiplicity of Members Authorities, public entities that are not likely to fail, and that can call the Société Territoriale Guarantee, which has the advantage of practical simplicity.

In addition, it should be noted that the “Société Territoriale Guarantee” can be called on behalf of creditors of Agence France Locale and that the "Members Guarantees" can be called on behalf of creditors of Agence France Locale - Société Territoriale, particularly upon request by Agence France Locale. The aim of this mechanism of calling by persons others than the beneficiaries is to be able to call upon the guarantees prior to the occurrence of a default in order to limit the payment default risk of the Agence France Locale Group and prevent the occurrence of delicate financial situations for Agence France Locale.

The constitution of the “Member Guarantees” is occurring only with the start of the lending activity of the Issuer, which is suspended from the first bond issue that will be conducted under this Programme, the amount originally covered by the “Member Guarantees” will be zero.

A concise overview of the operation of the guarantees is set out below:



The financial policies defined and implemented by Agence France Locale are particularly strict and are largely inspired by the policies of certain supranational institutions or multilateral development banks. Agence France Locale's aim is to cover all risks caused by its financial activities (exchange rate risk, interest rate risk, liquidity risk), with the exception of the risk that results from the nature of its lending activity to the Member Authorities.

All of the financial products on Agence France Locale's balance sheet are hedged in relation to a floating Euro rate linked to 3 month Euribor, regardless of the product or currency concerned, in order to neutralise interest rate risk and exchange rate risk on Agence France Locale's balance sheet.

Alongside this, a liquidity cushion that corresponds to one year of net cash requirements will be established and a conservative investment policy of own funds and liquidity will be followed so as to ensure the institution's liquidity and the maintenance of its operational activities. The aim is to reach the equivalent of a year of net cash requirements, understanding that achieving this goal requires several years.

In order to assess and better manage the credit risk on local authorities, Agence France Locale has established an internal rating system for Member Authorities, which aims both to:

- assess the financial standing of local authorities and public inter-communal cooperative institutions upon their accession to the Agence France Locale Group through the setting up of a so-called "quantitative" or "financial" rating. On a scale from 1 to 7 (1 being the best rating and 7 worst) only local authorities rated between 1 and 5.99 are allowed to join as members of Agence France Locale Group. This rating system is automated and is based on economic and financial data published once

a year by the Public Finances Directorate General (*Direction Générale des Finances Publiques*) at the French Finance Ministry; and

- evaluate the financial standing of the local authority members that request a loan from Agence France Locale through, in addition to the “quantitative” rating mentioned above to a so-called “socio-economic” rating, which can be supplemented by a "qualitative" rating. Lastly, the Credit Committee of Agence France Locale decides on the final rating given to the relevant local authority.

Following this internal rating process Agence France Locale may, subject to limited exceptions, fund up to 50% of the annual finance requirements of a local authority which obtained a score between 1 and 3 under the rating system described above. In addition to the effect of the ratings on the amount of loans granted, different ratings also result in different costs of credit proposed to the Member Authorities.

In addition, Agence France Locale is obliged to comply with the following prudential ratios:

- a “*Common Equity Tier One*” ratio set at a minimum of 12.5% for 2015;
- a leverage ratio above a minimum of 3.5%; and
- of the working capital ratios for 30 days (LCR, *Liquidity Coverage Ratio*) and one year (NSFR, *Stable Net Funding Ratio*) of greater than a minimum of 150%.

In the absence of banking activity in 2014, and because it obtained the authorization as a specialised credit institution (*établissement de crédit spécialisé*) by the ACPR (*Autorité de Contrôle Prudentiel et de Résolution*) on 22 December 2014, the Issuer has not published its regulatory ratios at 31 December 2014.

## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure information required by Annex XXII of regulation 809/2004/EC of the Commission dated 29 April 2004, as amended, known as **Elements**. These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities, Issuer and Guarantors, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention 'not applicable'.

This summary is provided for purposes of the issue of Notes of a denomination less than € 100,000 (or the equivalent of such amount in any other currency), realised within the Programme. An issue specific summary shall be annexed to the relevant Final Terms.

### SECTION A – INTRODUCTION AND WARNINGS

<b>Elements</b>	
<p><b>A.1</b></p> <p><b>General disclaimer regarding the summary</b></p>	<p>This summary should be read as an introduction to the base prospectus dated 6 March 2015, which received visa No.15-079 from the <i>Autorité des marchés financiers</i> (the <b>AMF</b>) on 6 March 2015 (the <b>Base Prospectus</b>) relating to the Medium Term Note Programme (the <b>Programme</b>) of Agence France Locale (the <b>Issuer</b> or <b>Agence France Locale</b>).</p> <p>Any decision to invest in notes issued under the Programme (the <b>Notes</b>) should be based on consideration by any investor of the Base Prospectus as a whole, including any related supplement and the final terms (the <b>Final Terms</b>) relating to tranches of the relevant Notes (together, the <b>Prospectus</b>).</p> <p>Where a claim relating to information contained in the Base Prospectus and/or the Final Terms is brought before a court of a member State of the European Economic Area (<b>EEA</b>), the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>No claim on civil liability can be brought in a member State against anybody on the sole basis of this summary, including its translation, except if its content is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and Final Terms or if it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</p>
<p><b>A.2</b></p> <p><b>Information regarding consent by the Issuer to the use of the Prospectus</b></p>	<p>In the context of any offer of Notes in France or in Luxembourg which does not benefit from an exemption from the requirement to publish a prospectus under the Prospectus Directive, as amended (a <b>Public Offer</b>), the Issuer consents to the use of the Base Prospectus (as amended, if appropriate by a supplement) and Final Terms (together, the <b>Prospectus</b>) in connection with such Public Offer of Notes during the offer period (the <b>Offer Period</b>) and in France or in Luxembourg, as specified in the relevant Final Terms, by any duly authorised financial intermediary mentioned in the</p>

	<p>relevant Final Terms (each an <b>Authorised Institution</b>).</p> <p>The consent referred to above relates to Offer Periods (if any) ending no later than 12 months from the date of the AMF's visa on the Base Prospectus has been obtained.</p> <p><b>The Terms of the Public Offer shall be provided to Investors by the Authorised Institution at the time the Public Offer is made.</b></p>
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## SECTION B – ISSUER AND GUARANTORS

Element	
<p><b>B.1</b></p> <p><b>The Legal and commercial name of the Issuer</b></p>	<p>Agence France Locale (the <b>Issuer</b>)</p>
<p><b>B.2</b></p> <p><b>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation</b></p>	<p><b>Issuer:</b></p> <p>The Issuer is a <i>Société Anonyme</i> with an Executive Board and a Supervisory Board, incorporated in France under French Law, and governed by the provisions of the French <i>Code de Commerce</i>.</p> <p>The Issuer has been created under the provisions of Article 35 of the law n° 2013-672 of 26 July 2013 <i>de séparation et de régulation des activités bancaires</i> (the <b>Law of 26 July 2013</b>).</p> <p>The Issuer registered office is located Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon.</p>
<p><b>B.4 b</b></p> <p><b>A description of any known trends affecting the Issuer and the activities in which it operates</b></p>	<p><b>Issuer:</b></p> <p>The Issuer has identified certain developments likely to have an impact on its business:</p> <ul style="list-style-type: none"> <li>- the contraction of the local authorities' loan market in 2013 and a decrease in the State allocations to local authorities, which began in 2014, could lead to a decrease in local authorities' borrowing needs.</li> <li>- as part of the € 50 billion cuts plan currently being considered by the French state, it is expected that local authorities will contribute over 2015 to 2017 11 billion euros of savings to the financial effort, including through the lowering of allocations received from the State, which will reduce their self-financing capacity (<i>capacité d'autofinancement</i>) and could be an incentive either to reduce their borrowing, or to increase it.</li> </ul>
<p><b>B.5</b></p> <p><b>Description of the Issuer's Group and the</b></p>	<p><b>Issuer:</b></p> <p>The structure of Agence France Locale group is as follows:</p>



<b>Issuer's position within the Group</b>	<p>99.99% of Agence France Locale's share capital and voting rights are held by ST, the balance (which represents 10 shares) is divided between the 10 founding Members of ST, in order to comply with the requirements of Article L. 225-1 of the French <i>Code de commerce</i>, which stipulates that the number of shareholders of a <i>Société Anonyme</i> cannot be less than seven. The first members of the Board of Directors of ST are representatives of ST.</p> <p>The shareholders of ST are exclusively local authorities who have obtained the necessary internal authorisations and whose financial situation allows them to be Members of the Agence France Locale group.</p> <p>To the extent that, in accordance with the provisions of Article L. 1611-3-2 of the French <i>Code des collectivités territoriales</i> (the <b>CGCT</b>), the right to be granted credits by the Issuer is subject to the quality of Membership, the number of shareholders of ST is intended to increase with the development of the Agence France Locale group.</p> <p>The operational rules of the Agence France Locale group were designed in order to ensure continuity of its share ownership. The Members are, under the terms of the Shareholders' Agreement, in particular obliged to retain their shareholdings until the tenth anniversary of the payment of their ICC and transfers of shares are subject to approval from the Board of Directors of ST.</p> <p>This increase in the number of shareholders will result in a corresponding reduction in the respective weight of each Member in the share capital of ST and the control of ST by any one of its shareholders.</p> <p>At the date of this Base Prospectus, the share capital of ST is held by 91 local authorities, none of whom hold more than 10% of the share capital, with the exception of one Member. This is the <i>Métropole du Grand Lyon</i>, whose interest should eventually go under the threshold of 10% through future accessions of new Members to the Agence France Locale group.</p>																		
<table border="1"> <thead> <tr> <th data-bbox="387 1279 1466 1317"> <b>List of Members at the date of this Base Prospectus</b> </th> </tr> </thead> <tbody> <tr><td data-bbox="387 1317 1466 1355">Commune d'Amiens</td></tr> <tr><td data-bbox="387 1355 1466 1393">Communauté d'agglomération d'Amiens Métropole</td></tr> <tr><td data-bbox="387 1393 1466 1431">Communauté de communes Ardennes rives de Meuse</td></tr> <tr><td data-bbox="387 1431 1466 1469">Commune de Bordeaux</td></tr> <tr><td data-bbox="387 1469 1466 1507">Commune de Bourg Argental</td></tr> <tr><td data-bbox="387 1507 1466 1545">Département de l'Aisne</td></tr> <tr><td data-bbox="387 1545 1466 1583">Département de la Savoie</td></tr> <tr><td data-bbox="387 1583 1466 1621">Département de l'Essonne</td></tr> <tr><td data-bbox="387 1621 1466 1659">Communauté urbaine de Cherbourg</td></tr> <tr><td data-bbox="387 1659 1466 1697">Communauté d'agglomération de Clermont Communauté</td></tr> <tr><td data-bbox="387 1697 1466 1736">Commune de Conches-en-Ouches</td></tr> <tr><td data-bbox="387 1736 1466 1774">Communauté urbaine de Dunkerque Grand Littoral</td></tr> <tr><td data-bbox="387 1774 1466 1812">Grand Lyon</td></tr> <tr><td data-bbox="387 1812 1466 1850">Commune de Lons-le-Saunier</td></tr> <tr><td data-bbox="387 1850 1466 1888">Commune de Montreuil</td></tr> <tr><td data-bbox="387 1888 1466 1926">Communauté urbaine du Grand Nancy</td></tr> <tr><td data-bbox="387 1926 1466 1964">Commune de Nantes</td></tr> <tr><td data-bbox="387 1964 1466 2002">Métropole de Nantes</td></tr> </tbody> </table>	<b>List of Members at the date of this Base Prospectus</b>	Commune d'Amiens	Communauté d'agglomération d'Amiens Métropole	Communauté de communes Ardennes rives de Meuse	Commune de Bordeaux	Commune de Bourg Argental	Département de l'Aisne	Département de la Savoie	Département de l'Essonne	Communauté urbaine de Cherbourg	Communauté d'agglomération de Clermont Communauté	Commune de Conches-en-Ouches	Communauté urbaine de Dunkerque Grand Littoral	Grand Lyon	Commune de Lons-le-Saunier	Commune de Montreuil	Communauté urbaine du Grand Nancy	Commune de Nantes	Métropole de Nantes
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Commune de Nantes																			
Métropole de Nantes																			

Région Pays de la Loire
Commune de Saint Augustin des Bois
Commune de Saint Jean de Bonnefonds
Métropole de Toulouse
Communauté d'agglomération de Valenciennes Métropole
Commune de Grenoble
Métropole Européenne de Lille
Communauté d'agglomération Plaine Commune
Communauté de communes de Bassin de Pompey
Commune de Brest
Métropole de Brest
Commune de Guéthary
Commune de Plouzané
Commune de Lannion
Communauté d'agglomération du Grand Besançon
Communauté de communes de Pays de Conche
Commune de Pertuis
Communauté Urbaine Creusot Montceau
Métropole Rouen Normandie
Commune de Saint-Hilaire-de-Riez
Commune de Saint Nazaire
Commune de Saumur
Commune de Teilhède
Communauté d'agglomération de Grand Poitiers
Commune d'Evreux
Communauté d'agglomération de la Vallée de la Marne
Commune de Marseille
Communauté Urbaine de Marseille Provence Métropole
Commune de Roquefort sur Souzou
Commune de Noyon
Commune de Flourens
Communauté d'agglomération Est Ensemble
Commune de Beaucozéz
Communauté d'Agglomération de Chambéry Métropole
Communauté d'Agglomération du pays de Morlaix
Communauté d'Agglomération de Pau Pyrénées
Communauté d'Agglomération Seine Amont
Communauté d'Agglomération du Val de Fensch
Communauté de Communes du Pays Mornantais
Communauté de Communes du secteur d'Ilfurth
Communauté de Communes Amfreville la Campagne
Commune de Balaruc les Bains
Commune de Bourgoin Jallieu
Commune de Domérat
Commune de La Motte Servolex
Commune du Bouscat

	<p>Commune de Mâcon</p> <p>Commune de Nogent sur Marne</p> <p>Commune de Pollestres</p> <p>Commune de Saint Avé</p> <p>Commune de Saint Brice</p> <p>Commune de Saint Denis</p> <p>Commune de Saint Saulve</p> <p>Commune de Vendôme</p> <p>Commune de Vincennes</p> <p>Commune de Wittenheim</p> <p>Commune d’Huningue</p> <p>Commune d’Usson en Forez</p> <p>Département de l’Ariège</p> <p>Commune de Pau</p> <p>Communauté d’Agglomération du Grand Périgueux</p> <p>Communauté d’AgglomérationThau Agglo</p> <p>Communauté de Communes des coteaux du Girou</p> <p>Communauté de Communes du Pays Noyonnais</p> <p>Communauté de Communes de la Vallée du Garon</p> <p>Communauté de Communes Vic Montaner</p> <p>Métropole de Strasbourg</p> <p>Métropole de Bordeaux</p> <p>Commune de Clermont Ferrand</p> <p>Commune de Vernon</p> <p>Commune de Villeurbanne</p> <p>Commune de Vitrac</p> <p>Commune du Thuit-Anger</p>		
<p><b>B.9</b></p> <p><b>Profit forecast or estimate</b></p>	<p><b>Issuer:</b></p> <p>Based on the assumptions on which it built its business plan, the Issuer has established the following projections for the next two years.</p> <p>The forecasts set out below were established according to IFRS standards.</p> <p>– Consolidated balance sheet: 2015-2016 Objectives (in millions of euros)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>2015</b></td> <td style="text-align: center;"><b>2016</b></td> </tr> </table>	<b>2015</b>	<b>2016</b>
<b>2015</b>	<b>2016</b>		

	Customer loans and receivables	808	1.908
	Others <sup>1</sup>	448	572
	<b>Total assets</b>	<b>1.256</b>	<b>2.480</b>
	Debts – represented by a security	1.179	2.326
	Others	4	3
	<b>Total Liabilities</b>	<b>1.183</b>	<b>2.329</b>
	<b>Equity</b>	<b>73</b>	<b>151</b>
	<b>Total Liabilities and Equity</b>	<b>1.256</b>	<b>2.480</b>
	Components of profit elements: 2015-2016 Objectives (in millions of euros)		
		<b>2015</b>	<b>2016</b>
	<b>Net banking income</b>	<b>2.9</b>	<b>13.7</b>
	<b>Gross operating profit</b>	<b>-8.9</b>	<b>3.6</b>
<b>B.10</b>	<b>Issuer:</b>		
<b>Qualifications in the auditors' report</b>	The Auditors' report on the Issuer's accounts for the year ended 31 December 2014 contains no qualifications.		
<b>B.12</b>	<b>Issuer:</b>		
<b>Selected historical key financial information</b>	The Issuer was established on 17 December 2013. It therefore cannot provide historical financial information for the previous two years.		
	The information set out below is based on the Issuer's restated IFRS financial statements. However, only the Issuer's financial statements prepared in accordance with French standards have legal value. These are set out in the Annex to this Base Prospectus, together with the related Auditors' report.		
	– Consolidated balance sheet on 31 December 2014 (in thousands of Euros)		
		<b>31/12/2014</b>	
	Customer loans and receivables <sup>2</sup>	0	

<sup>1</sup> This line corresponds to a portion of the proceeds from the debt issued by the issuer that will fund its liquidity reserve to meet prudential requirements.

<sup>2</sup> In the year ended 31 December 2014 this aggregated data was not present in the Issuer's IFRS accounts as certified by the auditors as it was equal to 0 during the first reporting period, due to the fact the Issuer's lending activity had not begun. It will be included in the next accounts of the Issuer.

	Others <sup>3</sup>	46,275
	<b>Total assets</b>	46,275
	Debts represented by a security	0
	Others	16,960
	<i>including contribution commitments</i>	0
	<b>Total Liabilities</b>	16,960
	<b>Equity</b>	29,316
	<b>Total Liabilities and Equity</b>	46,275
	– Components of profit elements on 31 December 2014 (in thousands of Euros)	
		<b>17/12/13 – 31/12/14</b>
	<b>Net banking income</b>	311
	<b>Gross operating profit (loss)</b>	-9,726
	<b>Net Income</b>	-6,484
	The negative net Income for the year ended 31 December 2014 is mainly due to the fact that the Issuer (i) had to endure important general operating expenses for the implementation of the means needed to start its activity and (ii) having obtained its approval as a specialised credit institution on 22 December 2014, has not been able to start its lending activity during this exercise.	
<b>B.14</b>	<b>Issuer:</b>	
<b>Extent to which the Issuer is dependent upon other entities within the Group</b>	The Issuer is dependent on ST. Indeed, ST holds almost all of its share capital and has, therefore, the power to approve all decisions to be taken by the shareholders of the Issuer in shareholder meetings that do not require unanimity, which enables it to benefit from a power of appointment - more or less directly, depending on the committee at stake - in the governance committees of the Agence France Locale Group.	
	The Issuer is also dependent on the intellectual property of ST, which owns the words and figurative trademarks of Agence France Locale, registered with the French National Institute of Intellectual Property.	
<b>B.15</b>	<b>Issuer:</b>	
<b>Principal activities of the Issuer</b>	Pursuant to Article <i>L. 1611-3-2</i> of the French CGCT, the main activity of the Issuer consists of lending to local authority Members of the Agence France Locale Group, to enable them to finance a portion of their investment budgets.	

<sup>3</sup> Financial assets.

	<p>The Issuer also plans to receive repayable funds from the public via the issuance of debt securities to the public in accordance with Article <i>R. 312-18</i> of the French <i>Code monétaire et financier</i> relating to the issuance of debt securities equivalent to the raising of repayable funds from the public.</p>
<p><b>B.16</b></p> <p><b>Extent to which the Issuer is directly or indirectly owned or controlled</b></p>	<p><b>Issuer:</b></p> <p>Please refer to item B.5 above.</p>
<p><b>B.17</b></p> <p><b>Credit ratings assigned to the Issuer or its debt securities</b></p>	<p><b>Issuer:</b></p> <p>On 29 January 2015, the Issuer was assigned a rating of Aa2 by Moody’s France SAS (<b>Moody’s</b>), with a negative outlook.</p> <p>The Programme was assigned a rating of Aa2 by Moody’s on 6 March 2015.</p> <p>The Notes issued under the Programme may or may not be rated. The rating of the Notes, if applicable, will be specified in the relevant Final Terms. The rating of the Notes will not necessarily be identical to the rating of the Issuer.</p> <p>A rating is not a recommendation to buy, sell or hold Notes and may be suspended, amended or withdrawn at any time by the relevant rating agency. On the date of this Base Prospectus, Moody’s is a rating agency established in the European Union and registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and Council of 16 September 2009 relating to credit rating agencies as amended (the <b>CRA Regulation</b>) and is included on the list of credit rating agencies published on the European Financial Markets Authority website (<a href="http://www.esma.europa.eu/page/List-registered-and-certified-CRAs">www.esma.europa.eu/page/List-registered-and-certified-CRAs</a>) in accordance with the CRA Regulation.</p>
<p><b>B. 18</b></p> <p><b>Nature and purpose of the Guarantees</b></p>	<p>The concept of “beneficiaries” used herein (the <b>Beneficiaries</b>) means the holders of any securities issued or contractors to any contract entered into by the Issuer stating that such securities or contracts benefit from the ST Guarantee and/or the Member Guarantee.</p> <p>The securities guaranteed under the ST Guarantee and the Member Guarantee are in essence the same. Beneficiaries can use their discretion in deciding which Guarantee to call on.</p> <ul style="list-style-type: none"> <li>• <b>ST Guarantee</b></li> </ul> <p>ST provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> <li>– the ST Guarantee is a first demand guarantee in accordance with Article 2321 of the French Civil Code;</li> <li>– it benefits the holders of any securities issued or contractors to all contracts entered into by the Issuer stating that such securities or contracts benefit from the</li> </ul>

	<p>ST Guarantee, which are intended to be the same as the beneficiaries of the Member Guarantees;</p> <ul style="list-style-type: none"> <li>– the actual ceiling of the ST Guarantee is determined on a discretionary basis by the Issuer as € 3.500.000.000 (three billion, five hundred million euros) and will be indicated in the final terms of each issue of Notes;</li> <li>– the use of the guarantee by the Beneficiaries is subject only to form and timing requirements specified in such guarantee.</li> </ul> <p>• <b>Member Guarantees</b></p> <p>Each Member who has subscribed for a loan with the Issuer provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> <li>– each Member Guarantee is a first demand guarantee in accordance with Article 2321 of the French Civil Code;</li> <li>– each Member Guarantee issued to holders of securities or contracting parties to all contracts entered into by the Issuer stating that such securities or contracts benefit from Member Guarantees are intended to benefit the same beneficiaries as the Beneficiaries under the ST Guarantee;</li> <li>– the guarantee commitment is capped, at any time, at the total outstanding credit of that Member <i>vis-à-vis</i> the Issuer and, in the absence of subscription for new loans, is designed to change according to the amortisation schedule of the loans subscribed;</li> <li>– the implementation, by the beneficiaries, of such guarantees is subject only to form and timing requirements specified in such guarantees;</li> <li>– to keep beneficiaries fully informed, the outstanding credit of the Members <i>vis-à-vis</i> the Issuer is published on each business day on the website of the Issuer (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>).</li> </ul>
<p><b>B. 19</b></p> <p><b>Information on Guarantors</b></p>	
<p><b>B. 19/B.1</b></p> <p><b>The Legal and commercial name of the Guarantor</b></p>	<p><b>ST:</b></p> <p>Agence France Locale – Société Territoriale (ST)</p>
<p><b>B.19/B.2</b></p> <p><b>The domicile and legal form of the Guarantor, the legislation</b></p>	<p><b>ST:</b></p> <p>ST is a <i>Société Anonyme</i> with Board of Directors under French law, on the basis of Article 35 of the Law n° 2013-672 of 26 July 2013.</p> <p>ST has its registered office at 41, quai d’Orsay, 75007 Paris, France.</p>

<b>under which the Guarantor operates and its country of incorporation</b>					
<b>B.19/B.4b</b> <b>A description of any known trends affecting the Guarantor and the activities in which it operates</b>	<b>ST:</b> There are no known trends or events specific to ST that is reasonably likely to have a significant effect on its prospects. However, because of its position in relation to the Issuer, ST is likely to be directly affected by trends and developments affecting the Issuer.				
<b>B.19/B.5</b> <b>Description of the Guarantor's Group and the Guarantor's position within the Group</b>	<b>ST:</b> Please refer to item B.5 above.				
<b>B.19/B.9</b> <b>Profit forecast or estimate</b>	<b>ST:</b> Not Applicable - No forecast or profit estimate has been made in the Base Prospectus in relation to ST.				
<b>B.5/B.10</b> <b>Qualifications in the auditors' report</b>	<b>ST:</b> The Auditors' report on ST's accounts for the year ended 31 December 2014 contains no qualifications.				
<b>B.19/B.12</b> <b>Selected historical key financial information</b>	<b>ST:</b> As ST was established on 3 December 2013, it cannot provide historical financial information covering two financial years. The figures in the tables below are taken from the IFRS consolidated financial statements of the ST. Consolidated balance sheet as at 31 December 2014 (in thousands of Euros): <table border="1" data-bbox="443 1787 1394 1861"> <tr> <td></td> <td style="text-align: center;"><b>31 December 2014</b></td> </tr> <tr> <td>Customer loans and receivables<sup>4</sup></td> <td style="text-align: center;">0</td> </tr> </table>		<b>31 December 2014</b>	Customer loans and receivables <sup>4</sup>	0
	<b>31 December 2014</b>				
Customer loans and receivables <sup>4</sup>	0				

<sup>4</sup> In the year ended 31 December 2014 this aggregated data was not present in ST's IFRS accounts as certified by the auditors as it was equal to 0 during the first reporting period, due to the fact the Issuer's lending activity had not begun. It will be included in the next accounts of ST.



	<table border="1"> <tr> <td>Others <sup>5</sup></td> <td>47 715</td> </tr> <tr> <td><b>Total assets</b></td> <td><b>47 715</b></td> </tr> <tr> <td>Debts represented by a security<sup>4</sup></td> <td>0</td> </tr> <tr> <td>Others</td> <td>17 031</td> </tr> <tr> <td><i>Of which contribution commitments</i></td> <td>0</td> </tr> <tr> <td><b>Total Liabilities</b></td> <td>17 031</td> </tr> <tr> <td><b>Equity</b></td> <td>30 684</td> </tr> <tr> <td><b>Total Liabilities and Equity</b></td> <td>47 715</td> </tr> </table> <p>– Components of profit elements on 31 December 2014 (in thousands of Euros)</p> <table border="1"> <thead> <tr> <th></th> <th>17/12/13 – 31/12/14</th> </tr> </thead> <tbody> <tr> <td><b>Net banking income</b></td> <td>325</td> </tr> <tr> <td><b>Gross operating profit (loss)</b></td> <td>9 904</td> </tr> </tbody> </table>	Others <sup>5</sup>	47 715	<b>Total assets</b>	<b>47 715</b>	Debts represented by a security <sup>4</sup>	0	Others	17 031	<i>Of which contribution commitments</i>	0	<b>Total Liabilities</b>	17 031	<b>Equity</b>	30 684	<b>Total Liabilities and Equity</b>	47 715		17/12/13 – 31/12/14	<b>Net banking income</b>	325	<b>Gross operating profit (loss)</b>	9 904
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<p><b>B.19/B.13</b></p> <p><b>Recent events relating to the Guarantor of significant interest for the assessment of creditworthiness</b></p>	<p><b>ST:</b></p> <p>At the date of this Base Prospectus, there has been no material change in the financial or commercial situation of ST since 31 December 2014.</p> <p>At the date of this Base Prospectus, there has been no material adverse change in the prospects of ST since 31 December 2014.</p>																						
<p><b>B.19/B.14</b></p> <p><b>Extent to which the Guarantor is dependent upon other entities within the Group</b></p>	<p><b>ST:</b></p> <p>Please refer to item B.14 above.</p>																						
<p><b>B.19/B.15</b></p> <p><b>Principal activities of the Guarantor</b></p>	<p><b>ST:</b></p> <p>ST has a financial holding company activity, principally consisting of:</p> <ul style="list-style-type: none"> <li>– the holding of its interest in the share capital of the Issuer;</li> <li>– the setting of the accession procedure for local authorities to join Agence France Locale Group, whose administration is assigned to the Issuer;</li> <li>– the possession and use of the words and figurative trademarks of Agence France Locale group; and</li> <li>– if the ST Guarantee or Member Guarantees are called, the monitoring of the</li> </ul>																						

<sup>5</sup> Financial assets.

	implementation of the Guarantee mechanism.
<b>B.19/B.16</b> <b>Extent to which the Guarantor is directly or indirectly owned or controlled</b>	<b>ST:</b> Please refer to item B.5 above.
<b>B.19/B.17</b> <b>Credit ratings assigned to the Issuer or its debt securities</b>	<b>ST:</b> ST has not been assigned a rating.
<b>B.19/B.47</b> <b>Description of Members subscribing a loan with the Issuer</b>	<p><b>Member Guarantors:</b></p> <p>Each Member which has subscribed for a loan with the Issuer must provide a Member Guarantee.</p> <p>At the date of this Base Prospectus, no Member has subscribed for a loan with the Issuer, which has not yet started its operational lending activity.</p> <p>Upon each issue of Notes, an updated list of Members having subscribed for a loan with the Issuer will be specified in the relevant Final Terms.</p> <p>Considering the large and varying number of the Member Guarantors, the Issuer refers to the summary sheets for each Member, which are available on its website (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>).</p> <p>As each Member belongs to a form of local authority that has its own characteristics, a summary of the forms of local authority follows below.</p> <p>Members follow the forms of local authority set out in Article 72 of the French Constitution (<i>communes, départements, régions, collectivités à statut particulier</i> and <i>collectivités d'outre-mer</i>), or EPCI (<i>Établissement public de coopération intercommunale</i>) (<i>métropoles, communautés urbaines, communautés d'agglomération, communautés de communes, syndicat d'agglomération nouvelle</i> or <i>EPCI à statut particulier</i>) and are governed by French law.</p> <p>Members have legal personality, legal financial autonomy and authority to freely manage themselves as provided by law.</p> <ul style="list-style-type: none"> <li>– The <i>Communes</i></li> </ul> <p style="padding-left: 40px;">They have a general purpose in their territory</p> <p style="padding-left: 40px;">As a representative of the French State in the town, the mayor performs registrar duties, electoral functions (organisation of elections, upkeep of electoral lists, etc.), and the protection of public order through mayoral police powers.</p>

	<p>As head of the executive of the region, the mayor also exercises powers in the areas of urban planning, education, economic activity, marinas and airports, housing, health, social action, culture and sports.</p> <p>On 1 January 2014, France had 36,681 <i>communes</i>.</p> <p>– The <i>départements</i></p> <p>The <i>départements</i> have been the main recipients of the competence transfers carried out since 1982. The responsibilities and competences of the <i>départements</i> arising from decentralisation laws, mainly concerning social action (law No. 83-663 of 22 July 1983) - other than those which remain the responsibility of the state and which are specifically listed by law - rural infrastructure, roads, colleges, transport, environment, tourism, culture, natural heritage, aid to <i>communes</i> and regional planning.</p> <p>On 1 January 2014, France had 96 <i>départements métropolitains</i> and 5 <i>départements d'outre-mer</i>.</p> <p>In the context of the territorial reform announced by the government in June 2014, the level of the <i>département</i> is expected to be redefined in 2020 in favour of strengthening <i>intercommunales</i> entities, including <i>métropoles</i>. At the date of this Base Prospectus, four Members would be affected by this change, namely the <i>départements</i> of <i>l'Aisne, l'Ariège, l'Essonne</i> and <i>la Savoie</i>.</p> <p>– The <i>régions</i></p> <p>Since the passing of the decentralisation laws, <i>régions'</i> responsibilities are mainly concentrated in the areas of transport (<i>Transport express regional</i> related expenses), vocational training and economic action. The <i>régions</i> also exercise competences relating to regional development, education, vocational training, culture and the health sector.</p> <p>On 1 January 2014, France had 27 <i>régions</i> (including five overseas). The number of them will be scaled down to 13 starting on 1 January 2016.</p> <p>In the context of the territorial reform announced by the government in June 2014, the <i>régions</i> should benefit from the strengthening of their powers, particularly in terms of economic development, transport and education. At the date of this Base Prospectus, only one Member would be affected by this development, namely the <i>région Pays de la Loire</i>.</p> <p>– The <i>collectivités à statut particulier</i></p> <p>According to the first paragraph of Article 72 of the French Constitution: "The local authorities of the Republic are the <i>communes, départements, territoires d'outre-mer</i>. Any other local authority shall be established by law." At the date of this Base Prospectus, only two <i>collectivités à statut particulier</i> within the meaning of that article have been created by the legislature.</p> <p>Firstly, the local authority of Corsica (which is not a Member at the date of this Base Prospectus), which has extensive management autonomy and has the competences normally assigned to a <i>region</i> and some extended powers in some areas, including the protection of cultural heritage.</p>
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Then, Law No. 2014-58 of 27 January 2014 *de modernisation de l'action publique territoriale et d'affirmation des métropoles* created, with delayed effect from 1 January 2015, the *Métropole* of Lyon, which, is a "*collectivité à statut particulier*" within the meaning of Article 72 of the French Constitution. The *Métropole* of Lyon, which is a Member, replaced, on 1 January 2015, the *communauté urbaine du Grand Lyon* and exercises within its territory, in addition to the metropolitan powers listed in Article L. 5217 -2 of the CGCT, all the competences exercised previously by the *département* of the *Rhône*.

– The *EPCI*

"*Intercommunalité*" allows the municipalities to combine to jointly manage public facilities or services and/or to arrange projects for economic development, planning and urban planning across a wider territory than the territory of the *commune*. The *communes* transfer their respective competences to the *EPCI*, to which optional competences may be added. This transfer of competences gives the *EPCI* decision-making powers and the executive authority held by municipalities in accordance with the transferred competences.

The *EPCI* Members belong to the category of *établissements publics de coopération intercommunale à fiscalité propre*, which includes, at the date of this Base Prospectus, the *métropoles*, *communautés urbaines*, *communautés d'agglomération*, *communautés de communes*, *syndicat d'agglomération nouvelle*.

The difference between these forms of local authorities is mainly related to the minimum population threshold they should incorporate, as well as the competences they may exercise.

### **Budgetary rules applicable to Members**

The CGCT and accounting nomenclatures applicable to Members establish budgetary and accounting principles. The principles are as follows:

- the principle of annual accounting requires that the budget be prepared for a period of twelve (12) months from 1 January to 31 December. However, the law of 26 August 2005 on the simplification and revision of local authority budget and accounting rules bends this principle significantly by expanding multi-year budgeting mechanisms;
- the principle of budgetary balance: this principle requires local authorities to balance revenue and expenditure across various components of the budget (operating and capital components);
- the principle of unity, which stipulates that all revenue and expenditure must be included in a single budget, the local authority's general budget. However, other "ancillary" budgets may be added to the general budget to provide a clearer record of its various activities;
- the principle of universality requires that all expenditure and revenue must be reflected in the budget in full without amendment;
- the principle of specificity of expenditure, which stipulates that expenditure may

	<p>only be authorised for a given service and a specific purpose.</p> <p>Budget control is performed retrospectively by the State representative (the <i>Préfet</i>), together with the Regional Court of Accounts (<i>Chambre Régionale des Comptes (CRC)</i>).</p> <p><b>The resources of Members</b></p> <p>The resources of Members are mainly composed of:</p> <ul style="list-style-type: none"> <li>– tax revenue, the collection and use of which the law has delegated to Members;</li> <li>– the grants paid by the State according to the category to which a Member belongs and the application of criteria notably relating to its population;</li> <li>– ancillary revenues (fees paid by public service concession holders, rent, revenue related to public services, etc.).</li> </ul> <p><b>Accounting control proceedings applicable to Members</b></p> <p>The law of 2 March 1982 abolished all <i>a priori</i> control over local authority acts, which are now fully binding as soon as published or notified to the <i>Préfet</i>, who is the State's representative in the <i>département</i> or <i>région</i>.</p> <p>However, budgetary acts of local authorities are the subject of two retrospective controls:</p> <ul style="list-style-type: none"> <li>– as administrative acts, they are subject to the ordinary control of legality scrutinised by the State representative;</li> <li>– as budgetary acts, they are subject to special procedures for budgetary, judicial and management control performed by the CRC.</li> </ul>
<p><b>B.48</b></p> <p><b>Situation of Public finances and foreign trade / significant change</b></p>	<p><b>Member Guarantors</b></p> <p>Considering the large and changing number of the Member Guarantors, the Issuer refers, for access to the financial information relating to the Guarantors, to the summary sheets for each Member, which contain budgetary and accounting information and are available on its website (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>) and will be continuously updated.</p> <p>In addition, the Issuer will update the main information necessary regarding the level of each of the Member Guarantees on its website.</p>

## SECTION C – SECURITIES

<p><b>Element</b></p>	
<p><b>C.1</b></p> <p><b>Nature, category and identification of the Notes</b></p>	<p>Notes shall be issued in series (each a <b>Series</b>), on the same issue date or on different issue dates. Notes from a single Series shall be governed (except for the Issue Date, the Issue Price and the amount of the first interest payment) by identical terms, Notes of each Series being fungible with one another. Each Series may be issued in tranches (each a <b>Tranche</b>), on the same issue date or on different issue dates. The specific</p>

	<p>terms of each Tranche (including the issue date, the Issue Price, the amount of the first interest payment and the nominal amount of the Tranche) shall be set forth in the relevant Final Terms.</p> <p>Notes may be issued either in the form of dematerialised notes (<b>Dematerialised Notes</b>) or in the form of materialised notes (<b>Materialised Notes</b>).</p> <p>Dematerialised Notes may, at the option of the Issuer, be issued in bearer form or registered form and, in such latter case, at the option of the relevant Noteholder, either in pure registered form (<i>au nominatif pur</i>) or administered registered form (<i>au nominatif administré</i>). No physical document of title shall be issued in respect of Dematerialised Notes.</p> <p>Materialised Notes shall be issued in bearer form only. A Temporary Global Certificate for each Tranche of Materialised Notes shall be issued initially. Materialised Notes may only be issued outside France.</p> <p>The Notes shall have the denomination(s) specified in the applicable Final Term(s) (the <b>Specified Denomination(s)</b>). Dematerialised Notes shall be issued in one Specified Denomination only.</p> <p>The International Securities Identification Number (<b>ISIN</b>) uniquely identifies each Series of Notes and shall be specified in the relevant Final Terms and in the relevant issue specific summary annexed to the relevant Final Terms.</p>
<p><b>C.2</b> <b>Currencies</b></p>	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in euros, US dollars, Japanese yen, Swiss francs, pounds sterling or in any other currency as may be agreed between the Issuer and the relevant Dealer(s).</p>
<p><b>C.5</b> <b>Description of any restriction imposed to the free transferability of the Notes</b></p>	<p>Subject to compliance with all applicable law, regulations, and directives relating to the purchase, offer, sale and delivery of the Notes, and to the holding or distribution of this Base Prospectus, any other offer document or any Final Terms, there is no restriction imposed to the free transferability of the Notes.</p>
<p><b>C.8</b> <b>Description of the rights attached to the Notes</b></p>	<p>The Notes issued within the Programme shall notably have the following terms:</p> <p><b><i>Status of the Notes</i></b></p> <p>Notes and, if relevant, their related Receipts or Coupons constitute direct, unconditional, unsubordinated and (subject to the paragraph below) unsecured obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (subject to such exceptions as are mandatory under French law) equally and rateably with all other present or future, unsubordinated and unsecured obligations of the Issuer.</p> <p><b><i>Negative pledge</i></b></p> <p>So long as any Notes, or, if relevant, any Receipts and Coupons attached to such Notes, remain outstanding, the Issuer shall not grant or permit to subsist any mortgage, pledge, lien or other form of security interest upon any of its assets, rights</p>

or revenues, present or future, to secure any Indebtedness (as defined below) of or guaranteed by the Issuer, unless the obligations of the Issuer under the Notes and, if relevant, any related Receipts and Coupons, benefit from equivalent and equal ranking security.

**Indebtedness** means any indebtedness in respect of any present or future borrowing, represented by bonds or other securities or negotiable instruments (including in particular securities that are or were originally privately placed) listed or traded or capable of being listed or traded on any stock exchange or any other securities market.

### ***Guarantees***

Noteholders will benefit from the ST Guarantee granted by ST and the Members Guarantees granted by Members who will have subscribed for a loan with the Issuer (together with ST, the **Guarantors**) (the **Member Guarantees**, together with ST Guarantee, the **Guarantees**).

The obligations of each of the Guarantors under each of the Guarantees are unsecured and unsubordinated commitments of each Guarantor and have ranked and will rank equally with all other unsecured and unsubordinated commitments, present and future, of each Guarantor, other than exceptions that are from time to time required under French law.

### ***Events of Default***

The Terms of the Notes include events of default, in particular:

- (a) if the Issuer defaults on any payment of principal or interest due under any Note, Receipt or Coupon or, where applicable, any increase in the amount to be withheld or deducted under the Notes, for a period of more than fifteen (15) calendar days from the date such payment becomes due; or
- (b) if the Issuer defaults in the due performance of any other provision of the Terms of the Notes, and such default has not been remedied within thirty (30) calendar days after receipt by the Issuer of the notice of such default issued from the Representative or, in the event the Noteholders of a Series are not grouped together in a *Masse*, from any Noteholder; or
- (c) if the Issuer or ST makes a proposal for a general moratorium on its debts; or judgment is rendered for its judicial liquidation (*liquidation judiciaire*) or for termination of its entire business (*cession totale de l'entreprise*); or, to the extent permitted by law, the Issuer or ST is subject to any other procedure for liquidation or bankruptcy.

### ***Withholding tax***

All payments of principal or interest in respect of Notes by or on behalf of the Issuer shall be made without any withholding or deduction in respect of any tax or duty of any kind, imposed, levied or collected by or on behalf of France, or any authority

	<p>thereof with the power to levy tax, unless such withholding or deduction is required by law.</p> <p>If pursuant to French law, payments of principal or interest on any Note, Receipt or Coupon become subject to a withholding or deduction by reason of any tax or duty, present or future, the Issuer undertakes, to the fullest extent permitted by law, to increase the amount of such payment so that the Noteholders, Receiptholders and Couponholders receive the full amount that would have been paid to them in the absence of such withholding, subject to various exceptions, detailed in section "Terms of the Notes" of this Base Prospectus.</p> <p><b><i>Selling Restrictions</i></b></p> <p>There are restrictions concerning the sale of Notes as well as the distribution of offer documents in various countries, particularly in the United States of America, in the EEA, United Kingdom, Italy, France and Switzerland. The Issuer falls within Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.</p> <p><b><i>Governing law</i></b></p> <p>French law. Any claims against the Issuer relating to the Notes, Receipts, Coupons or Talons shall be brought before the competent courts of the jurisdiction of the Court of Appeal of Lyon.</p>
<p><b>C.9</b></p> <p><b>Interest, maturity date and terms of redemption, yield and representation of Noteholders</b></p>	<p><b><i>Commencement date</i></b></p> <p>The Notes shall bear interest from the date specified in the relevant Final Terms.</p> <p><b><i>Maturity date</i></b></p> <p>The maturity date of the Notes shall be specified in the relevant Final Terms, subject to compliance with all applicable laws, regulations and directives.</p> <p><b><i>Interest periods and interest rate</i></b></p> <p>For each Series, the duration of the interest periods of the Notes, the applicable interest rate and the method of calculation may be the same or differ depending on the Notes. The Notes may have a maximum interest rate, a minimum interest rate or both. The Notes may bear interest at varying rates within the same interest period by use of interest accrual periods. All such information shall be set forth in the relevant Final Terms.</p> <p><b><i>Fixed Rate Notes</i></b></p> <p>Fixed interest shall be payable in arrears on the date or dates for each period specified in the relevant Final Terms.</p> <p><b><i>Floating Rate Notes</i></b></p> <p>Floating Rate Notes shall bear interest at the rate determined for each Series as follows:</p>



- (a) on the same basis as the floating rate specified in the relevant Final Terms applicable to a notional interest rate swap transaction in the relevant Specified Currency, in accordance with the *Fédération Bancaire Française* (FBF) Master Agreement dated June 2013 relating to transactions on forward financial instruments, as supplemented by the Technical Schedules published by the FBF; or
- (b) on the same basis as the floating rate applicable to a notional interest rate swap transaction, in accordance with an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or
- (c) by reference to EURIBOR (or TIBEUR in French), LIBOR, EONIA (or TEMPE in French) or CMS Rate,

in each case, as adjusted by reference to any applicable margins paid at the date specified in the relevant Final Terms.

***Zero Coupon Notes***

Zero Coupon Notes may be issued at par or below par and shall not bear interest.

***Redemption Amount***

Except in case of Early Redemption or repurchase followed by cancellation, the Notes will be redeemed at the maturity date specified in the relevant Final Terms and at the final Redemption Amount.

***Optional Redemption***

The Final Terms prepared for the purpose of each issue of Notes shall specify if they may be redeemed at the option of the Issuer (in whole or in part) and/or at the option of the Noteholders prior to their stated maturity date, and, if so, the terms applicable to such redemption.

***Early Redemption***

Subject to the provisions of paragraph "Optional Redemption" above, Notes may only be redeemed early at the option of the Issuer for taxation reasons or in case of illegality.

***Yield***

The yield relating to each Series of Fixed Rate Notes shall be calculated at the Issue Date on the basis of the Issue Price and shall be specified in the relevant Final Terms.

***Representation of Noteholders***

The Noteholders shall be represented as follows:

- (a) if the relevant Final Terms specify "Full *Masse*", the Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *Masse*

	<p>and the provisions of the French <i>Code de commerce</i> relating to the <i>Masse</i> shall apply; and</p> <p>(b) if the relevant Final Terms specify "Contractual <i>Masse</i>", the Noteholders will, in respect of all Tranches of a single Series, be grouped together automatically for the defence of their common interests in a <i>Masse</i>. The <i>Masse</i> will be governed by the provisions of the French <i>Code de commerce</i>, with the exception of articles L.228-48, L.228-59, L.228-71, R.228-63, R.228-67 and R.228-69, subject to the Terms and Conditions of Notes.</p> <p>The <i>Masse</i> will act in part through a representative (the <b>Representative</b>) and in part through general meetings of the Noteholders. The names and addresses of the initial Representative and its alternate will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of any Series of Notes will be the representative of the single <i>Masse</i> of all Tranches in such Series.</p>
<b>C.10</b> <b>Derivative component in interest payments</b>	Not applicable. The Notes issued under the Programme do not contain any derivative components.
<b>C.11</b> <b>Listing admission and to trading</b>	On Euronext Paris and/or on any other Regulated Market of the European Economic Area and/or on any non-regulated market as specified in the relevant Final Terms. The relevant Final Terms may provide that a Series of Notes shall not be admitted to trading on any market.
<b>C.21</b> <b>Trading Markets</b>	The relevant Final Terms shall specify, as the case may be, the regulated market(s) for which this Base Prospectus is being published, as mentioned in section C.11 above.

## SECTION D – RISKS

Element	
<p><b>D.2</b></p> <p><b>Key information on the principal risks related to the Issuer</b></p>	<p>The Issuer is exposed to certain risks. There are a number of factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme, which include:</p> <p><b><u>Risks relating to the Issuer</u></b></p> <p style="text-align: center;"><i>Risks that are specific to the Issuer and its business</i></p> <ol style="list-style-type: none"> <li>(1) Credit risk and strategic risk related to the fact that the Issuer operates for the exclusive benefit of Members and cannot therefore grant loans to other entities, whilst maintaining a diverse credit exposure, resulting in a concentration of its counterparty risk;</li> <li>(2) Risk that the launch of the Issuer's activities fails to meet the expectations, preventing the Issuer from reaching its objectives under the contemplated timetable (due to a lack of market interest in the Notes, its customers or its competitive environment);</li> </ol> <p style="text-align: center;"><i>Other risks relating to the Issuer, including its status as a credit institution</i></p> <ol style="list-style-type: none"> <li>(1) Counterparty and concentration risk linked to hedging contracts and to investments of the Issuer's cash resources;</li> <li>(2) Market-related risks : liquidity, interest rate and currency risks;</li> <li>(3) The risk of breach of regulatory ratios that affect the maintenance of its authorisation as a specialised credit institution as granted by the <i>Autorité de contrôle prudentiel et de résolution (ACPR)</i>;</li> <li>(4) Risks relating to the Directive on Recovery and Resolution in the European Union, which gives national authorities resolution powers which could have an impact on the rights of creditors of credit institutions (including the Issuer);</li> <li>(5) Risks linked to the inadequacy or breach of internal control rules, in particular those pursuant to the order of 3 November 2014, in relation to internal controls within the banking sector concerning undertakings, payment and investment services which are subject to the control of the ACPR.</li> <li>(6) Risks relating to the information systems necessary for its business, to insurance taken to cover the risks to which it is exposed, to human resources;</li> <li>(7) Political, macro-economic risks, or risks relating to the specific financial circumstances of the state where the Issuer carries out its activities.</li> </ol> <p style="text-align: center;"><b><i>Risks relating to Members:</i></b></p>

	<ol style="list-style-type: none"> <li>(1) Risks relating to Members' decision-making processes and the legal validity of acts and decisions adopted by them. A specific internal control procedure has been set by the Issuer.</li> <li>(2) Risks relating to the legal protections available to the assets of public entities and the non-repayment of Members' debts.</li> <li>(3) Risks relating to the impact on the resources of Members who are exposed to any changes in their legal environment that could affect the structure and volume of these resources. The level of the latter is particularly dependent on contributions paid by the state, which have been reduced for the period 2015-2017.</li> <li>(4) Risks relating to changes to the territorial administrative organization, and the type and number of local authorities that make up its customer base.</li> </ol> <p><b><i>Risks relating the Notes Guarantee mechanism:</i></b></p> <ol style="list-style-type: none"> <li>(1) The ST Guarantee is capped at a maximum of 3,500,000,000 Euros and the actual ceiling of the ST Guarantee will be determined on a discretionary basis by the Issuer, notified to ST and will be specified in the Final Terms for each issue of Notes.</li> <li>(2) Risks relating to the fact that amounts borrowed by the Issuer intend to be higher than the amounts it lends to Members, all Notes issued under the Programme will consequently never benefit from a 100% guarantee under the Member Guarantees.</li> <li>(3) The risk relating to the total amount guaranteed under Member Guarantees which shall be at all times equal to the sum of loans made by the Issuer to its Members. Consequently, at the date of the first Issue under the Programme and, to the extent that the Issuer has not started its operational lending activity to Members, outstanding debt of Members to the Issuer will be zero, and so the amount covered by Member Guarantees at this date will be zero;</li> <li>(4) Risks relating to ST's dependence on Members to pay the full amount for which it could be liable under the ST Guarantee.</li> <li>(5) Risks that other creditors of the Issuer could benefit from the ST Guarantee and Member Guarantees and could therefore be in competition with Noteholders in the event that they also call upon one or the other of the Guarantees.</li> </ol>
<p><b>D.3</b></p> <p><b>Key information on the principal risks related to the Notes</b></p>	<p>Prospective investors shall take their investment decision in the Notes only after having thoroughly reviewed the information contained in the Base Prospectus and are invited to consult their own advisors on legal, fiscal and relating aspects.</p> <p>Some factors are significant to assess the risks related to the Notes issued within the Programme, in particular:</p> <p><b><i>General market risks:</i></b></p>

- (1) The market for the Notes may be affected by economic and market conditions and, to varying degrees, by interest rates, exchange rates and inflation in other European and industrialised countries. Such factors may adversely affect the market of the Notes;
- (2) An active market for the Notes may not develop or be sustained and investors may not be in a position to easily sell their Notes or to sell them at a price offering a yield comparable to similar products for which an active market would have otherwise developed;
- (3) The Issuer pays the principal and interest on the Notes in the currency specified in the relevant Final Terms. This presents certain currency conversion risks if the investor's financial activities are principally conducted in a different currency or monetary unit than the currency of the Notes.
- (4) Investment activities of certain investors are subject to laws and regulations relating to investments, or to control or regulation by supervisory authorities.

***General risks relating to the Notes:***

- (1) The Notes may not be a suitable investment for all investors. An investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to assess how the Notes will perform;
- (2) Independent rating agencies may assign a rating to Notes issued under this Programme. Such rating which may change over time does not reflect the potential impact of the risk factors that may affect the value of the Notes issued under this Programme.
- (3) any Early Redemption of the Notes (including upon option available to the Issuer specified in the Final Terms of an issue of Notes) may result in the Noteholders receiving a yield considerably below their expectations;
- (4) it is likely that the Issuer redeems Notes when its borrowing cost is lower than the interest rate of the Notes. In such situation, an investor will usually not be able to reinvest the redemption proceed at an effective interest rate as high as the interest rate of the redeemed Notes and would only be able to reinvest in securities that offer a significantly lower yield;
- (5) the Terms and Conditions of the Notes do not contain any event of default in relation to default by a Guarantor under the relevant Guarantee or in relation to the cancellation, nullity or invalidity of a Guarantee;
- (6) the general meeting of Noteholders may, in some cases, deliberate on any proposal relating to the modification of the Terms of the Notes, but because of the representation arrangements for Noteholders at

	<p>general meetings and of majority rules, some Noteholders, including Noteholders who did not attend the general meeting or who were not represented, may be bound by resolutions voted by Noteholders who were present or represented, even if they disagree with the decision;</p> <p>(7) no assurance can be given as to the effects on the Terms of the Notes of any judicial decision or any change of French law or regulation subsequent to the date of this Base Prospectus;</p> <p>(8) the common European financial transactions tax has a very broad scope and may, if adopted in its current version, apply to dealings in the Notes (including secondary market transactions) in certain circumstances. The issue and subscription of the Notes should, however, be exempt. It is strongly recommended for investors to invoke a professional advisor on issues relating to the common European financial transactions tax;</p> <p>(9) there is a risk that the Notes will not be redeemed on their maturity date if the Issuer is no longer solvent. The absence of redemption or partial redemption of the Notes would de facto result in a loss of investment in the Notes.</p> <p><b><i>Risks associated with specific issues of Notes:</i></b></p> <p>(1) risks associated with Floating Rate Notes;</p> <p>(2) risks associated with Fixed Rate Notes;</p> <p>(3) risks associated with Fixed/Floating Rate Notes; and</p> <p>(4) risks associated with Zero Coupon Notes and other Notes issued below par or with an issue premium.</p>
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## SECTION E – OFFER

<b>Element</b>	
<p><b>E.2b</b></p> <p><b>Reasons of the offer and using of the proceeds of the offer</b></p>	<p>The net proceeds of the issue of the Notes are intended to finance activities conducted by the Issuer in accordance with its general corporate purposes. More specifically, the proceeds of the issue of the Notes will be used in priority to the distribution of loans to Members in connection with the credit granting policy and the gradual formation of the liquidity reserve in accordance with regulatory obligations and good management practices, as may be further specified in the relevant Final Terms.</p>
<p><b>E.3</b></p> <p><b>Terms of the Notes</b></p>	<p>Notes may be offered to the public in France or in any Member State of the EEA in respect of which the <i>Autorité des marchés financiers</i> has issued a certificate of approval certifying that the Base Prospectus (and, if applicable, any supplement thereto) has been prepared in accordance with the Prospectus Directive (to the extent that relevant the Final Terms so provide and in compliance with all applicable laws and regulations).</p>

<p><b>E.4</b></p> <p><b>Interests, including conflicting interests, that may significantly impact the issue/offer</b></p>	<p>The existence of conflicting interests between legal entities or individuals participating to the issue/offer shall be specified, as the case may be, in the relevant Final Terms.</p>
<p><b>E.7</b></p> <p><b>Estimated expenses charged to investor by the Issuer or the offeror</b></p>	<p>The expenses charged to the investor shall be specified in the relevant Final Terms.</p>

## CONDITIONS RELATING TO THE ISSUER'S CONSENT TO THE USE OF THE PROSPECTUS

Within any offer of Notes in France or Luxembourg which is not exempt from the obligation to publish a prospectus pursuant to the Prospectus Directive, as amended, (a **Public Offer**), the Issuer consents to the using of the Base Prospectus (as amended, as the case may be, by any supplement) and the Final Terms (together, the **Prospectus**) during the offer period (the **Offer Period**) and in France or in Luxembourg as specified in the relevant Final Terms by:

- (1) subject to the provisions specified in the relevant Final Terms, any financial intermediary authorised to make such offers under Directive on Financial Instruments Markets, (Directive 2004/39/EC); or
- (2) if specified in the relevant Final Terms, any financial intermediary satisfying the following conditions: (a) he acts in accordance with all applicable laws, rules, regulations and guidance of any competent authority (the **Rules**), including in particular and in each case, the Rules relating both to the opportunity or suitability of any investment in the Notes by any person and disclosure to any prospective investor; (b) he complies with the restrictions set out in section "*Subscription and Sale*" of this Base Prospectus which apply as if he were a Dealer; (c) he ensures that all costs (and all commissions or benefits of any kind) received or paid by this financial intermediary due to the offer or sale of the Notes are fully and clearly disclosed to investors or prospective investors; (d) in accordance with the Rules, he holds all licenses, authorisations, approvals and permits necessary to the solicitation, offer or sale of the Notes; (e) he holds investor identification files, at least during the minimum period required by the applicable Rules and shall, upon request, provide the relevant Dealer(s), the Issuer and the Guarantors with those files, or directly make them available to the competent authorities on which depend the Issuer and/or the Guarantors and/or the relevant Dealer(s) in order to allow the Issuer and/or the Guarantors and/or the relevant Dealer(s) to comply with to anti- money laundering, anti-bribery and "know your customer" Rules applicable to the Issuer and/or the Guarantors and/or the relevant Dealer(s); (f) its intervention does not lead to the breach, directly or indirectly, of any Rules by the Issuer or the Guarantors or the relevant Dealer(s) or does not submit the Issuer or the Guarantors or the Dealer(s) to the obligation to make a deposit, obtain an authorisation or an approval in any jurisdiction; and (g) its intervention satisfies any other condition specified in the relevant Final Terms (in each case, an **Authorised Institution**). In order to avoid any doubt, neither the Dealer(s) nor the Issuer nor the Guarantors shall have the obligation to check that an Authorised Institution will act in compliance with all applicable laws, regulations and/or recommendation and, consequently, neither the Dealer(s) nor the Issuer nor the Guarantors shall be held liable on that ground.

If specified in the relevant Final Terms, the Issuer accepts responsibility, in France, for the content of the Prospectus vis-à-vis any person (an **Investor**) located in France to whom an offer of Notes is made by any Authorised Institution and, when the offer is made, during the Offer Period for which the consent was given. However, neither the Issuer nor any Dealer nor any Guarantors is liable for acts committed by any Authorised Institution, including concerning of its compliance with the rules of business behaviour applicable to the Authorised Institution or of other local regulatory obligations or of other legal obligations relating to financial instruments related to such an offer, applicable to the Authorised Institution.

The consent referred to above relates to Offer Periods, if any, ending no later than 12 months from the date on which the AMF's visa on the Base Prospectus has been obtained.

If the Final Terms appoint one or several financial intermediaries to which the Issuer has given its consent for the use the Prospectus during the Offer Period, the Issuer may also give his consent to additional



Authorised Institutions after the date of the relevant Final Terms and, if so, will publish any new information relating to such Authorised Institutions which are not known at the date of approval of this Base Prospectus or of publication of the relevant Final Terms on its website (<http://www.agence-france-locale.fr>).

**If the Final Terms specify that any Financial Intermediary may use the Prospectus during the Offer Period, each relevant Authorised Institution shall publish, during the Offer Period, on its website, information specifying that it uses the Prospectus for the relevant Public Offer with the authorisation of the Issuer and in compliance with the conditions set forth therein.**

Other than as set out above, neither the Issuer nor any of the Guarantors nor any of the Dealers authorises any Public Offer by any person in any case, such a person is not authorised to use the Prospectus in connection with the offer of any Note. Those offers are not made for the account of the Issuer or of any of the Guarantors or of any of the Dealers or of any of the Authorised Institutions and neither the Issuer nor any of the Guarantors nor any of the Dealers nor any of the Authorised Institutions can be held liable for the actions of any person making such offers.

**An Investor intending to acquire or acquiring Notes from an Authorised Institution shall do so, and the offers and sales of the Notes by an Authorised Institution to an investor shall be made, in accordance with any terms and other agreements between the Authorised Institution and the relevant Investor, including as to price, allocation, agreements on settlement/delivery arrangements and any expense or tax charged to the Investor (the Terms of the Public Offer). The Issuer and the Guarantors shall not take part to such agreements with Investors (others than the Dealers) in connection with the offer or sale of the Notes and, consequently, this Base Prospectus and Final Terms shall not bear such information. The Terms of the Public Offer shall be disclosed to Investors by the Authorised Institution at the moment of the Public Offer. Neither the Issuer nor any of the Guarantors nor any Dealer or Authorised Institution shall be held liable for this information nor for the consequences of the use of such information by relevant Investors.**

## RISK FACTORS

*The Issuer believes that the following risk factors are important for any decision to invest in the Notes and/or may affect its ability to fulfil its obligations under the Notes. These risks are uncertain, and the Issuer is not able to comment on any occurrence of these risks.*

*The Issuer believes that the factors described below represent the key risks relating to the Issuer and to the Notes issued under the Programme, without being exhaustive. The risks described below are not the only risks to which an investor in the Notes may be exposed. Other risks and uncertainties, that are currently unknown to the Issuer or that it thinks are not decisive at the date of this Base Prospectus, can have a significant impact investments in the Notes. Potential investors must also read the detailed information which appears in this Base Prospectus and form their own opinion before taking any investment decision. In particular, investors must conduct their own examination of the risks linked to the Notes before investing in the Notes and must consult their own financial or legal advisers in relation to the risks linked to the investment in specific series of Notes and the appropriateness of such an investment considering their own situation. Investors are informed that they can, in some circumstances, lose some or all of the value of their investment.*

*The Issuer believes that Notes should only be purchased by investors who are capable of understanding the particular risks that an investment in the Notes involves.*

*The order of presentation of the risks below is not an indication of the probability of their occurrence.*

*Any reference below to a Condition is a reference to the correspondingly numbered condition in the "Terms and Conditions".*

### 1. RISKS FACTORS RELATING TO THE ISSUER

*The Issuer conducted a review of the risks that could lead to material adverse changes in the Issuer's activities, financial statements or income (or its ability to fulfil its objectives).*

#### 1.1 Risks relating to the Issuer

##### (a) Credit and concentration risks

Credit risk covers the risk incurred in the event of a default by a single counterparty or a group of connected customers. The risk is caused by the inability of counterparties, to whom the Issuer granted loans and other debtors of the Issuer, to meet their financial obligations. The occurrence of such risks could lead to a loss in the value for the Issuer.

The counterparty risk is the risk arising from the level of exposure to each counterparty, including central counterparties, a group of connected counterparties, counterparties operating in the same economic sector or geographical area or from the grant of loans to the same type of operations.

*Credit and counterparty risk relating to the borrowers*

Pursuant to Article L. 1611-3-2 of the *Code général des collectivités (CGCT)*, the Issuer carries out its activities for the exclusive benefit of local and regional authorities and *établissements publics de coopération intercommunale à fiscalité propre*, which are shareholders of the Issuer's parent company, and the Guarantors of the debt securities issued by the Issuer (the **Members**).

Additionally, Article L. 1611-3-1 of the CGCT subjects the loans granted to the local authorities by credit institutions to certain limits relating to currency, interest rate and hedging instruments.

These counterparties have a limited risk profile, and the credit supplied by the Issuer shares this risk profile. Nevertheless, it cannot be completely ruled out that a local authority will not fail. Moreover, as the Issuer can only grant loans to Members, the result is a high concentration of counterparty risk on those Members. The Issuer therefore has a high exposure to a potential adverse change within that sector.

#### *Counterparty and concentration risk relating to hedging contracts and investments of the Issuer's cash resources*

In order to limit its exposure to the market and currency risks described below, the Issuer plans to cover its currency positions and manage its variable rate exposure by entering into hedging contracts. The Issuer plans to settle for the most part these derivatives through clearing agencies, but not exclusively. The Issuer cannot guarantee that the counterparties to the hedging contracts it has entered into will be in a position to meet their financial obligations.

Due to the importance of these contracts and the increasing recourse to clearing houses in accordance with regulatory provisions, the default of such clearing houses would be likely to significantly affect the ability of the Issuer to pursue its activities.

Due to its cash investments, the Issuer incurs a credit risk on the Issuers of its cash portfolio. Although the Issuer has a rather conservative investment policy, it still remains exposed to the risk that the Issuers of the securities in which it has invested fail to meet their financial obligations. The occurrence of such risk could trigger a loss in value for the Issuer.

#### **(b) Risks relating to the market**

The key risks that are specific to the Issuer are liquidity, currency and interest rate risks.

##### *Liquidity risk*

The Issuer is exposed to three aspects of liquidity risk:

- Illiquidity risk: risk linked to a temporary cash shortfall or otherwise stated the risk of the bank not being able to sell off an asset quickly and at a reasonable price on the market;
- Funding liquidity risk: risk linked to the bank not being able to raise sufficient cash to honour its commitments and satisfy the funding needs required for its growth;
- Liquidity transformation risk (also known as liquidity pricing risk): risk linked to the loss in net banking income incurred by an increase in refinancing spreads coupled with a transformation position that is too wide, i.e., an asset-liability mismatch which generally occurs when the assets are longer than the liabilities. The Issuer's liquidity policy is to hold permanently a significant amount of liquid assets that can be mobilised at any moment in order to meet both its contractual commitments and regulatory requirements.
- Given its structure and the size of its cash portfolio, the Issuer is primarily exposed to funding risk and the liquidity transformation risk, without completely ruling out the occurrence of an illiquidity risk. If the Issuer could not access the debt market under reasonable conditions, or if it endured an unforeseen event relating to its treasury or collateral its liquidity could be adversely affected.

The Issuer's liquidity could, additionally, be affected by events that the Issuer cannot control, such as general market disturbances, operational difficulties affecting third parties, negative opinions on financial services in general, the short or long term financial prospects of the Issuer, alterations to credit ratings, or even the perception among market participants of the situation of the Issuer or other financial institutions.

The Issuer's credit rating is likely to have a significant impact on its access to funding. The rating by the agencies is based on the examination of characteristics that are specific to the issuers, such as their governance, the level and quality of their income, the adequacy of their equity capital, their funding, their liquidity, their risk management, their risk appetite, the quality of their assets, their strategic orientation, and the diversity of their business units. Rating agencies take into account factors that are relevant to the specific sector, such as legislative or regulatory changes, the macro-economic environment and the perceived levels of state support; it is possible that changes to these factors may lead to a downgrade of the rating of the Issuer and other participants in the sector, which could limit the ability of the Issuer to find necessary funding for its activities or increase the cost of such liquidity.

#### *Interest rate risk*

Interest rate risk covers the risk that the Issuer suffers loss caused by an adverse change in interest rates, due to its balance sheet and off-balance sheet transactions, particularly in cases where there is an imbalance between interest rates generated by its assets and those due under its liabilities. Interest rate risk includes the risk of refinancing an asset at an interest rate higher than the one that was originally taken out, or the risk of switching an asset with a lower interest rate than the one initially used. In the event of a change in interest rates, there may be in both cases a negative impact on the net interest margin which reduces the Issuer's revenues.

Even though the financial policy set up by the Issuer aims to protect its balance sheet against interest rate risk by having recourse in particular to systematic micro-hedging of debts and fixed rate assets through interest rate swaps, it should be noted that such hedging will not be completely satisfactory. In particular, it will not cover a portion of the Issuer's balance sheet (equity) nor small-sized loans. Finally, the hedge accounting that the Issuer will use on these transactions could, in the event of adverse changes in the market, trigger losses which could materially impact the Issuer's results.

#### *Currency risk*

Currency risk covers the risk that the Issuer generates a loss due to borrowed or lent funds in currencies other than euro. The Issuer may be exposed to risks linked to the changes of currency rates between different currencies.

Even though the Issuer's policy consists of systematically covering the risk by entering into currency micro-hedging swaps or cross currency swaps, it should be noted that the hedge accounting the Issuer will use on these transactions could, in the event of adverse changes in the market, trigger losses which could materially impact the Issuer's results.

### **(c) Other banking risks**

#### *Non-compliance risks and risks relating to the changes in regulations*

The non-compliance risk relates to the risk of legal, administrative or disciplinary sanctions, significant financial loss or reputational damage arising from the non-compliance with the directly applicable provisions governing the banking and finance industries, whether they be legal, regulatory, national, or European in scope, or non-compliance with professional and ethical

standards or the instructions made by executive officers particularly in light of the guidelines from the Issuer's Supervisory Board.

On December 22, 2014, the French Prudential Supervisory Authority (the **ACPR**) granted an authorisation to the Issuer as a specialised credit institution, a requirement to carry on banking activities. This authorisation subjects the Issuer to a number of regulatory requirements, among which there is an obligation to adhere to the specific regulatory provisions and prudential ratios.

This regulatory framework is likely to change. Such a change would be likely to disturb the forecasts made by the Issuer regarding its business plan, to increase some of its obligations and therefore impact its income. Should the Issuer not be able to meet the existing and future requirements, its authorisation could be revoked and the Issuer would be forced to end its activity.

#### *Risks relating to the Bank Recovery and Resolution directive within the European Union*

On 15 May 2014, the Council of the European Union adopted Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**), which is likely to be applicable to the Issuer in the same way as all credit institutions in default or likely to default.

The powers currently envisaged by the BRRD, described below, could impact the way credit institutions (including the Issuer) and investment firms are managed as well as, in certain circumstances, the rights of creditors.

The BRRD's objective is to equip resolution authorities with instruments allowing them to intervene quickly and early enough for the benefit of a fragile or defaulting institution to ensure the continuity of fundamental economic and financial duties of the institution, whilst minimising the impact of its default on the economy and financial system.

The BRRD uses four resolution measures and powers which can be used separately or jointly in cases where the resolution authority considers (a) that an institution is in default or likely to be in default, (b) that there is no reasonable prospect of finding another private solution in a reasonable time which would avoid the default of the institution, and (c) that the resolution measure is in the public interest:

- (i) the transfer of activities – allows resolution authorities to sell under normal conditions either the institution itself, or all or part of its business.
- (ii) bridge institutions – allows resolution authorities to transfer all or part of the institution to the "bridge institution" (an entity specifically created for this purpose and wholly or partially managed under public control);
- (iii) asset separation – allows resolution authorities to transfer impaired or toxic assets into an organization under public control for it to ensure the management in order to maximising the value by means of an eventual sale or an orderly winding-up; and
- (iv) bail-in – allows resolution authorities to write down certain unsecured debts held by a defaulting institution and to convert some of those debts into equity, the latter potentially being subject to further reduction or write down measures.

The BRRD provides for Member States, in the last resort, after other resolution instruments have been assessed and exhausted in order to maintain financial stability, to set up an extraordinary public support through financial stability instruments. An institution could be deemed in default or likely to

be in default if: it breaks or is likely to break in the near future, the requirements for its authorisation; if its asset are or are likely in the near future to be inferior to its liabilities; if it is or is likely in the near future to be unable to pay its debts as they fall due; or if it seeks exceptional public financial support (unless under certain particular circumstances).

The BRRD provides that it will be applied in Member States as of 1 January 2015, except for the bail-in instruments, which are to be applied from 1 January 2016.

In accordance with law no. 2014-1662 of 30 December 2014 *regarding various provisions to adapt legislation to European Union economic and financial law*, the French legislature has enabled the Government to transpose, within an 8 month period beginning on 30 December 2014, Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment enterprises.

*Risks linked to the failure to implement or breach of the internal control rules, in particular those pursuant to the order of 3 November 2014, in relation to internal control within the banking sector, undertakings, and payment and investment services, subject to the control of the ACPR.*

The principles and mechanisms of internal control for banking activities in France and abroad are the heart of the banking and finance regulations and are the subject of numerous legislative and regulatory provisions.

The main legal text in this matter applicable to the Issuer is the order of 3 November 2014, relating to the internal control of banking sector, and payment and investment services subject to the control of the ACPR, which defines, in particular, the implementation conditions and the upholding of internal control of credit institutions. It outlines particularly principles relating to operations and internal procedures control systems, accounting procedures, and the processing of information, risk and results measurement systems, supervisory and risk management systems and to documentation and information on internal control systems.

The Issuer has set up a number of measures in order to comply with such regulations. The Issuer is exposed to a risk linked to potential failures to implement or breaches within the aforesaid measures that could, notably, lead to a loss of value in the Issuer.

**(d) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed processes, personnel, internal systems, or accidental external events or not including a legal risk. It is defined as the risk of any litigation with consideration resulting from inaccuracy, flaw or failure may be due to the Issuer.

Operational risks include risks with a low probability of occurrence but a risk of significant loss. They concern risks linked to procedural failures and internal systems, to human mistakes or external events, accidental or not.

Internal procedures include human resources and information systems. External events include *inter alia* floods, fires, earthquakes, fraud or even terrorist attacks.

In order to better prevent the occurrence of these various risks and the consequences of any such occurrence, which are all very high at the time of launching operations, the Issuer has set up several provisions on internal control, compliance, and risk monitoring, based on the establishment of permanent and periodic controls over operational risks incurred. The occurrence of such risks however cannot be excluded.

### *Risks relating to information systems*

Information systems are core elements for its activity and functioning. The Issuer has chosen mostly to subcontract these systems. The Issuer is exposed to a risk related to the potential loss of availability and integrity of its cyber resources, which could, particularly, arise from a failure of its subcontractor.

In order to minimise exposure to such risk, the Issuer has set up a strict security policy, especially regarding the management of data access held by its cyber systems.

The interconnection between the multiple financial institutions and clearing agents, market operators and clearing houses, together with the growing concentration of those businesses, increases the risk that the operational default of one of them leads to an operational default of the whole sector, which could have a significant impact on the ability of the Issuer to carry on its business. The concentration within the sector, between market participants or financial intermediaries, is likely to increase that risk to the extent that complex and heterogeneous systems must be coordinated, often rapidly. Any default, interruption, or operating incident liability actions of this kind could adversely affect the ability of the Issuer or carry out transactions, provide services to Members, manage its exposure to risk, or lead to financial losses, liability actions, a decrease of its liquidity, an interruption of its business, regulatory intervention or harm its reputation.

### *Risks relating to its insurance*

The Issuer has taken out a certain number of insurance policies to cover its operations. Aside from the fact that these policies contain exclusion clauses, the Issuer is still faced with a risk of a default by one of its insurers.

### *Risks relating to human resources*

As a result of its structure and of how its operations will be launched, the Issuer relies on a limited number of people to ensure its operational success. The loss of one or more of the people necessary for its business, whether due to dismissals or accidents, would be likely to have a significant impact on its business.

## **(e) *Risks relating to the start of the Issuer's business and to its competitive environment***

### *Risks relating to business and the start of this business*

The risks related to the Issuers' business include the risk that the Issuer generates losses in the event that its expenses are greater than its income. The business plan of the Issuer currently anticipates that its expenses should cease to be superior to its income as of the 2016 fiscal year. Although its creation was established by law in response to repeated expressions of strong support over the previous years by a significant number of local authorities, its initial and early business is exposed to several variables, especially the interest it will provoke on the bond market. These variables could delay the acquisition of the quantity of business anticipated by the Issuer, or even prevent it from being achieved at all.

### *Competition risk*

The competition existing and/or increasing in the financing market for local public authorities, both in France and in Europe, could lead to (i) the Issuer's business not achieving the success anticipated, (ii) reduced margins on upcoming commitments, and, as a consequence, limit the acquisition of new

assets by the Issuer, or (iii) adversely affect the activity, financial conditions, cash flow and the results of the Issuer's operations.

#### *Strategy risk*

Pursuant to Article L. 1611-3-2 of the CGCT, the Issuer carries on its business for the exclusive benefit of Members. Consequently, the Issuer is not able to diversify its customers.

The Issuer is therefore dependent upon existing demand in the financial market for local public authorities and, to the extent that demand is lower than anticipated by the Issuer in its business plan or is transferred to other participants, the Issuer could face difficulties in achieving its objectives in terms of profitability, especially those described at paragraph 5 "Turnover and benefits forecasts" of the section Description of the Issuer.

### **1.2 Political, macro-economic risks or risks relating to specific financial circumstances of the state where the Issuer carries out its business.**

The Issuer being a financial institution, its trades are very sensitive to changes in the markets and to the economic environment in Europe and the rest of the world. Due to its exposure to local public authorities, the Issuer is also subject to risk of loss from potential adverse changes to the political, economic, and European and French legal situations, in particular social instability, changes in public policy – local or national – or in the policies of the central banks.

The Issuer could be faced with a significant deterioration in market conditions and the economic environment, which could lead to crises affecting the capital or credit markets, constraints on liquidity, regional or global recession, significant volatility in currency exchange rates or interest rates, inflation, deflation, rating, restructuring or default of sovereign debts, or other geopolitical events (such as terrorist acts or armed conflicts, amongst other possibilities). Such events can intervene in a sudden and significant manner; they could affect, temporarily or permanently, conditions in which credit institutions operate and have a significant adverse effect on the financial situation, results and cost of the risk management of the Issuer.

In recent years, capital markets have experienced significant disturbances as a result of concerns over several euro-zone countries' sovereign debt. The high level of debt of some European states resulted in concerns regarding defaulting states and the euro-zone. At this time, it is impossible to anticipate the eventual outcome of this situation. In this respect, the persistence or further deterioration of the adverse economic and market conditions experienced in the euro-zone could worsen their impact on financial institutions in general and, notably, on the Issuer.

Similarly, if one of these events should lead to a downgrading of France's credit rating and/or the rating of any Member, this would affect the Issuer's funding conditions and increase the cost of loans granted to Members. Consequently, each of the above factors, to the extent that it would affect the French state or the local public authorities, could significantly affect the business of the Issuer, the financial conditions in which it operates, as well as the financial results of its activities.

## **2. RISKS RELATING TO THE MEMBERS**

The Issuer operates for the exclusive benefit of Members, the realisation of risks common to all or some of its Members, such as the risks identified below, could have a negative impact on the operational activity of the Issuer.



## 2.1 Risks relating to Members' decision-making process

Noteholders are exposed to the risks relating to the legal validity of acts and the irregularity of decisions adopted by Members for example in credit underwriting or granting guarantees, particularly related to the administrative decision-making procedure implemented by one or more Members. Such invalidity or irregularity may be detected and result in the annulment of the relevant decision and/or acts (including the Member Guarantees) by the administrative judge following referral by the *Préfet* or proceedings by a third party against such an act or decision.

## 2.2 Risks relating to the protection of assets of public entities and non-repayment of Members' debts.

As legal bodies governed by public law, Members are not subject to the ordinary methods of enforcement of debts and their assets are exempt from seizure. Consequently, as with all legal bodies governed by public law, the Members are not subject to insolvency proceedings under the French *Code de commerce*.

However, being a mandatory expense, debt servicing must be registered in Members' budgets. If it is not, Article L. 1612-15 of the CGCT provides for the "automatic enrollment" (*Inscription d'office*) procedure whereby, following a consultation (as requested by the *Préfet*, the relevant public accountant, or anyone holding an interest) with the *Chambre régionale des comptes*, the *Préfet* may add the expenditure to the budget of the local authority concerned.

In the absence of enrolling a compulsory expense, Article L. 1612-16 of the French CGCT provides for a procedure called "a mandatory payment order" (*Procédure de mandatement d'office*) that allows the *Préfet* to carry it out in a coercive way.

The compulsory nature of the repayment of funds lent to Members and payments under their Guarantee commitments provides a legal protection for investors.

Registration and assigning compulsory expenditure pursuant to court decisions are governed by Article 1 of Law No. 80-539 dated 16 July 1980, Article L. 911-1, and following of the French *Code de justice administrative*.

## 2.3 Risks relating to the resource trends

Members are vulnerable to any changes in their legal and regulatory environment that could affect the structure and volume of their resources.

However, the French Constitution provides in Article 72-2 that "tax revenue and other own resources of local authorities represent, for each category of authorities, a key part of their resources." Members are therefore protected by the constitutional principle of financial independence.

Members' resource levels are particularly dependent on allocations granted by the state.

But, having been frozen for the period 2012-2017 by the law of 31 December 2012, these resources have been reduced to 1.5 billion euros for fiscal year 2014 by the 2014 Financial Law of 29 December 2013, then to 3.67 billion euros for fiscal year 2015 by the 2015 Financial Law of 29 December 2014. Further reductions have already been announced for 2016 and 2017, the government having stipulated a decrease of 11 billion euros of these grants between 2015 and 2017.

In this context, the decline in the level of allocations granted by the State is likely to have a negative effect on the operating revenue of Members, which could affect their ability to repay their loans

from the Issuer and, therefore, the ability of the Issuer to meet its own financial obligations. If the decline in these allocations is confirmed or increased or extended to subsequent years, this would affect the cash flow of Members and potentially cause them to limit their borrowing.

Similarly, expenses related to the repayment of loans already subscribed for by Members could hinder their ability to meet their financial obligations.

## **2.4 Risks relating to the changes to the territorial administrative organization**

The Issuer is exposed to the changes to the type and number of local authorities that make up its customer base, as well as consequences that could result from the removal of local authorities or a category of local authorities by the legislator.

Although the incorporation documents of the Issuer have anticipated such developments, there is a possibility that laws and regulations relating to the changes to the territorial administrative organization do not allow, or impede the application of, relevant contractual provisions and therefore create legal uncertainty.

## **3. RISKS RELATING TO THE GUARANTEE MECHANISM**

### **3.1 Risks relating to Member Guarantees**

The amount of each Member Guarantee is capped, at all times, to the total outstanding amount of loans of the Member granting such Member Guarantee *vis-à-vis* the Issuer. In the absence a Member subscribing for new loans, the amount of the relevant Member Guarantee will change in accordance with the amortisation schedule of the loans for which it has subscribed.

The Issuer does not expect to allocate the entire proceeds of the issues made under the programme, or, if applicable, any other borrowing, to grant loans to Members; part of the proceeds is intended to be retained in order to provide the Issuer with the cash required for its business. Indeed, in the business plan, without being an undertaking of the Issuer and pending the start-up of the Issuer's operations, approximately 70% of the amount of the Notes or, if applicable, any other borrowing, issued by the Issuer would be used to extend credit to Members. The remaining 30% would be retained to ensure the liquidity of the Issuer pursuant to its regulatory obligations and best management practices.

Consequently, as the amounts borrowed by the Issuer are intended to be higher than the amounts it lends to Members, no Notes issued under the Programme will benefit from a 100% Guarantee under the Member Guarantees.

Besides, the total amount guaranteed under the Members Guarantees, being at any moment equal to the sum of loans granted by the Issuer to the Members and, to the extent that the Issuer will not have started its operational funding activity to Members at the date of the first issuance of the Notes in the context of the Programme, the Notes will not benefit from the Member Guarantee at the first issue date.

### **3.2 Risks relating to the ST Guarantee**

The ST Guarantee is capped at a maximum of 3,500,000,000 Euros and the actual ceiling of the ST Guarantee will be determined on a discretionary basis by the Issuer, notified to ST and will be specified in the Final Terms for each issue of Notes. Under a memorandum of understanding relating to the ST Guarantee published on the Issuer's website, the Issuer has however undertaken to ST, and not to any third party including the Noteholders, that the actual ceiling of the ST Guarantee will be at

least equal to the amount of the aggregate bond issues (in principal, interest and incidentals) carried out by the Issuer as well as to the other commitments of the Issuer benefiting from the ST Guarantee.

ST has neither the cash nor the necessary assets to pay the amounts which it could be liable if all of its commitments under the ST Guarantee should be called. In such a case, it might be called on the Member Guarantees on behalf of Beneficiaries and the Members therefore would replace ST in the payment of amounts due to Beneficiaries within the limits of their respective outstanding debt to the Issuer.

ST could therefore be dependent on the proper execution of their obligations by Members under the Member Guarantees. Moreover, insofar as the amount of Member Guarantees will be less than the total amount borrowed by the Issuer in respect of bond issues made under the program, ST may not be able to pay the full amount which it could be liable for under the ST Guarantee.

### **3.3 Risks relating to the Guarantees**

Under the ST Guarantee and Member Guarantees, other financial commitments than those made by the Issuer under the program could benefit from those Guarantees.

Noteholders could thus face competition from other creditors in the event that the Guarantees are called upon.

## **4. RISKS RELATING TO THE NOTES**

### **4.1 General market risks**

#### ***The securities market may be volatile and adversely affected by various events***

The debt securities' market is affected by economic and market conditions and, to varying degrees, by interest rates, exchange rates and inflation in other European and industrialised countries. No assurance can be given that events in France, Europe or elsewhere will not cause market volatility or that such market volatility will not adversely affect the value of the Notes or that economic and market conditions will not have other adverse effects.

#### ***An active market in the Notes may not develop or be sustained***

No assurance can be given that an active market in the Notes will develop or, if such market does develop, that it will be sustained or offer sufficient liquidity. If an active market in the Notes does not develop or is not sustained, the market value or price and liquidity of the Notes may be adversely affected. Therefore, investors may not be in a position to easily sell their Notes or to sell them at a price offering a yield comparable to similar products for which an active market would have otherwise developed.

The Issuer has the right to purchase Notes, on the terms set forth in Condition 6.7, and the Issuer may issue new Notes, on the terms set forth in Condition 13. Such actions may favourably or adversely affect the value of the Notes. If additional or competing products are brought on to the markets, this may adversely affect the value of the Notes.

#### ***Exchange rate and exchange control risks***

The Issuer pays the principal and interest on the Notes in the Specified Currency as defined in the Terms of the Notes. This presents certain currency conversion risks if an investor's financial activities are principally conducted in a different currency or monetary unit (the Investor's Currency)

than the Specified Currency. Such risks include the risk that exchange rates may fluctuate significantly (including fluctuations due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that the authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An increase in the value of the Investor's Currency compared to the Specified Currency would reduce (i) the equivalent yield of the Notes in the Investor's Currency, (ii) the equivalent value in the Investor's Currency of the principal payable on the Notes and (iii) the equivalent market value in the Investor's Currency of the Notes.

The Government and the monetary authorities may impose (as has happened in the past) exchange control measures that may adversely affect exchange rates. Accordingly, investors may receive a payment in principal or interest that is lower than expected, or even receive neither interest nor principal.

#### ***Laws and regulations on investment may restrict some investments***

The investment activities of some investors are subject to investment laws and regulations, or to control or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) the Notes are investments that are appropriate, (ii) Notes can be used as collateral for other types of loans, (iii) if other purchase restrictions or pledge of any Notes are applicable to them, (iv) the Notes are eligible as regulated assets (if any) or (v) the Notes represent an investment that is appropriate from a prudential point of view. Financial institutions should consult their legal advisers and / or their financial advisers and / or the supervisory authorities to determine the treatment to be applied to the Notes for weighted capital ratios based on risk and similar rules.

Neither the Issuer nor (the) Dealer(s), nor any of their respective affiliates has assumed or assumes responsibility for the legality of the acquisition of the Notes by a potential investor, either under the laws of the jurisdiction where they are registered or the one in which they operate (if different), or the compliance by a potential investor with any law, regulation or rule made by a regulator that may apply to it.

## **4.2 General risks relating to the Notes**

### ***The Notes may not be a suitable investment for all investors***

A prospective investor should not invest in Notes unless it has the expertise (either alone or with the assistance of its financial adviser) to assess how the value of the Notes will perform under changing conditions and the impact of such an investment will have on its overall investment portfolio.

Each prospective investor must determine, based on his own assessment and with the assistance of any adviser he may consider appropriate depending on the circumstances, the suitability of an investment in the Notes in light of his personal circumstances. In particular, each prospective investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement with respect thereto and in the relevant Final Terms
- (ii) have access to, and knowledge of, appropriate analytical tools to assess, in the context of its particular financial situation and sensitivity to risk, an investment in the relevant Notes and the impact such Notes might have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in Notes;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant reference rates and financial markets; and
- (v) be able to assess (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

### ***Potential Conflicts of Interest***

All or some of the Dealers and their affiliates have and/or may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with the Issuer and its affiliates and in relation to securities issued by any entity in the group. They have or may (i) engage in investment banking, trading or hedging activities including activities that may include prime brokerage business, financing transactions or entry into derivative transactions, (ii) act as underwriters in connection with the offering of shares or other securities issued by any entity in the group or (iii) act as financial advisers to the Issuer or other companies in the group. In the context of these transactions, certain Dealers have or may hold shares or other securities issued by entities in the group. Where applicable, they have or will receive customary fees and commissions for these transactions.

The Issuer may occasionally be engaged in transactions involving an index, or derivatives that can affect the market price, liquidity or value of Notes that could be considered contrary to the interests of Noteholders.

Potential conflicts of interest can arise between the Calculation Agent, where relevant, for a Tranche of Notes and Noteholders, including towards some decisions and some discretionary judgments that the Calculation Agent may have to make pursuant to the Terms of the Notes, which can affect the amount to be received at redemption of the Notes.

### ***Risks relating to rating of the Notes***

Independent rating agencies may assign a rating to Notes issued under this Programme. Such rating does not reflect the potential impact of the risk factors described in this section and of all other risk factors that may affect the value of the Notes issued under this Programme. A rating does not constitute a recommendation to buy, sell or hold Notes and may be revised (upwards or downwards) or withdrawn at any time by the rating agency.

### ***The Notes may be redeemed prior to maturity***

If, at the time of redemption of principal or payment of interest, the Issuer is obliged to pay Additional Amounts in accordance with Condition 8.2, it may reimburse the Notes in full at the Early Redemption Amount together with, unless provided otherwise in the relevant Final Terms all interest accrued until the relevant redemption date.

Similarly, if it becomes unlawful for the Issuer to fulfil or comply with its obligations under the Notes, the Issuer may, in accordance with Condition 5.9, redeem the Notes, in full but not in part only, at the Early Redemption Amount together with all interest accrued until the relevant redemption date.

***Any Early Redemption option available to the Issuer, specified in the Final Terms of an issue of Notes may result in the Noteholders receiving a yield considerably below their expectations.***

The Final Terms of an issue of Notes may include an Early Redemption option for the Issuer. In such case, the yield at the time of redemption may be lower than expected and the value of the amount redeemed may be less than the purchase price on the market of the Notes paid by the Noteholder. Consequently, part of the capital invested by Noteholders in the Notes may be lost, resulting in the Noteholder receiving less than the full amount of capital invested. Furthermore, in the event of Early Redemption, investors who decide to reinvest the funds they receive may only be able to reinvest in securities that offer lower yields than the redeemed Notes.

#### ***Risks relating to the Optional Redemption by the Issuer***

The market value of the Notes may be affected by the Optional Redemption option of the Notes by the Issuer. During the periods where the Issuer may initiate such redemption, this market value usually does not rise significantly above the price where the Notes can be redeemed. It can usually be the case before any redemption time period.

It is likely that the Issuer redeems the Notes when its borrowing cost is lower than the interest rate of the Notes. In such situation, an investor will usually not be able to reinvest the redemption proceed at an effective interest rate as high as the interest rate of the redeemed Notes and would only be able to reinvest in securities that offer a significantly lower yield. Prospective investors shall take into account risks related to the reinvestment regarding the other available investments at the time of investment.

#### ***No event of default relating to Guarantees or default by a Guarantor***

The Terms and Conditions of the Notes do not contain any event of default in relation to default by a Guarantor under the relevant Guarantee or in relation to the cancellation, nullity or invalidity of a Guarantee. Consequently, Early Redemption is not available in the case of default by a Guarantor under the relevant Guarantee or where a Guarantee is, for any reason, null, void or cancelled.

#### ***Modification of the Terms and Conditions of the Notes***

Noteholders will be grouped automatically for the defence of their common interests in a *Masse* (as defined in Condition 11 of the Terms of the Notes "Representation of Noteholders") and may hold general meetings of Noteholders. The Terms of the Notes provide that in certain cases a defined majority of Noteholders can bind all Noteholders, including those whom have not voted or have voted on the opposite way.

The General Meeting (as defined in the Terms of the Notes) may, subject to the provisions of Condition 11 of the Terms of the Notes "Representation of Noteholders", deliberate on any proposal relating to the modification of the Terms of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights that are in dispute or the subject of judicial decision.

#### ***Change of law or relating to a judicial decision***

The Terms of the Notes are governed by French law as of the date of this Base Prospectus. No assurance can be given as to the consequences of any judicial decision or any change of French law or regulation subsequent to the date of this Base Prospectus.

## ***Tax***

Prospective purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or in other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions on the tax treatment of securities such as the Notes are available.

Prospective investors are advised not to rely upon the tax summary contained in this Base Prospectus, but to ask for their own tax adviser's advice based on their individual situation with respect to the acquisition, holding, proceeds, sale and redemption of the Notes. Only such advisors are in a position to duly consider the specific situation of a prospective investor.

These considerations relating to investment in the Notes should be read in connection with the "Taxation" section of this Base Prospectus

### ***European Directive on the taxation of savings income***

Pursuant to Council Directive 2003/48 / EC on taxation of savings income (the Savings Directive), Member States are required to provide the tax authorities of other Member States detailed information on all payments of interest or similar income made or granted by a person established in a Member State to or on behalf of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a directive amending and widening the scope of certain requirements described above. The Member States are obliged to apply these new changes from 1 January 2017). The amendments widen the scope of payments covered by the Savings Directive, in particular by including additional types of income derived from securities. The Directive also widens the circumstances under which payments which indirectly benefit to a physical person residing in a Member State must be disclosed. This approach may apply to payments made or attributed for the benefit of, or by, persons, entities or legal structures (including trusts), where certain conditions are met, and may, in certain circumstances, apply where the person, entity or structure is established or effectively managed outside the European Union.

For a transitional period, Austria will impose (unless if during this period it decides otherwise) a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information. The changes referred to above will broaden the types of payments subject to withholding in those Member States that still operate a withholding system when they are implemented.

The end of this transitional period depends on the conclusion of others agreements relating to information exchange with some other countries. Several countries and territories outside the EU, including Switzerland, have adopted similar measures (a withholding tax system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a paying agent, the Issuer will be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

### ***Financial transaction tax***

On 14 February 2013, the European Commission has published a proposal (the **proposal of the Commission**) for a Directive for a common financial transaction tax (the **FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the Participating Member States).

The proposal of the Commission has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement published in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT gradually, so that it will initially apply to shares and certain derivatives, with this initial implementation occurring on January 1, 2016. The FTT, as originally implemented on this basis may not apply to certain transactions on bonds.

The FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

### ***Loss of investments in the Notes***

In the event of change of the taxation rules applicable to the Notes, the Issuer may be obliged to redeem the Notes in full.

Any Early Redemption of the Notes may result in the Noteholders receiving a yield significantly below their expectations.

Also there is a risk that the Notes will not be redeemed on their maturity date if the Issuer is no longer solvent. The absence of redemption or partial redemption of the Notes would de facto result in a loss of investment in the Notes.

Finally, the investor does not benefit from any protection or Guarantee of the invested capital within the Programme. Any sale of a Note on the market may occur at a price below the purchase price and cause a capital loss. The initial invested capital is exposed to market contingencies and may thus not be returned in case of adverse stock exchange evolution.

## **4.3 Risks associated with specific issues of Notes**

### ***Floating Rate Notes***

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest payments on Floating Rate Notes cannot be predicted. Due to fluctuations in interest payments, investors cannot determine the actual yield on the Floating Rate Notes at the time of purchase, and therefore their investment returns cannot be compared to investments with longer fixed interest periods. If the terms



of the Notes specify frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates fall. In such case, investors will only be able to reinvest their interest income at a potentially lower prevailing interest rate.

Accordingly, the market value of Floating Rate Notes may be volatile if changes, in particular short term changes, on the interest rate market applicable to the relevant rate cannot be applied to the interest rate of such Notes until the next periodic adjustment of the relevant rate.

#### ***Fixed Rate Notes***

It cannot be ruled out that the value of Fixed Rate Notes may be adversely affected by inflation or future fluctuations in interest rates.

#### ***Fixed/Floating Rate Notes***

The Fixed/Floating Rate Notes may bear interest at a fixed rate that the Issuer can choose to convert into a floating rate, or at a floating rate that the Issuer can choose to convert into a fixed rate. The ability of conversion offered to the Issuer may affect the secondary market and the market value of the Notes as the Issuer can choose to convert the rate when it leads to a reduction of its total borrowing cost. If the Issuer converts a fixed rate into a floating rate, the rate spread of the Fixed/Floating Rate Notes may be less favourable than the rate spreads on Floating Rate Notes having the same reference rate. In addition, the new floating rate may be, at any time, lower than the interest rates of other Notes. If the Issuer converts a floating rate into a fixed rate, the fixed rate may be lower than the rates applicable to its other Notes.

#### ***Zero Coupon Notes and other Notes issued below par or with an issue premium***

The market value of Zero Coupon Notes and other securities issued below par or with an issue premium tends to be more sensitive to fluctuation due to variations in interest rates than typical interest-bearing securities. Generally, the longer the maturity of the Notes, the more the price volatility of such Notes resembles that of typical interest-bearing securities of similar maturity.

## SUPPLEMENT TO THE BASE PROSPECTUS

Any new material fact or any error or inaccuracy concerning the information contained in the Base Prospectus, which may have a substantial impact on any assessment of the Notes and which arises or is noted after the date of this Base Prospectus, shall be mentioned in a supplement to the Base Prospectus, in accordance with article 212-25 of the AMF General Regulation. The Issuer undertakes to submit this supplement to the Base Prospectus to the AMF for approval.

In accordance with Article 212-25 of the AMF General Regulation, under certain circumstances, investors benefit from a withdrawal right during at least two (2) trading days after the publication of the supplement to the Base Prospectus if the new fact, error or inaccuracy mentioned above arises before the final closing of the public offer and to the delivery of the notes.

Any supplement to the Base Prospectus shall be (a) published on the websites of (i) the AMF ([www.amf-france.org](http://www.amf-france.org)), (ii) the Issuer ([www.agence-france-locale.fr](http://www.agence-france-locale.fr)) and (b) available for inspection and obtaining copies, free of charge, during normal office hours, on any weekday (except Saturdays, Sundays and public holidays) at the specified office of the Fiscal Agent or the Paying Agent(s).

## TERMS OF THE NOTES

*The following is the text of the terms and conditions that, as completed by the provisions of the relevant Final Terms, shall apply to the Notes (the **Terms**). In the case of Dematerialised Notes, the text of the Terms of the Notes will not be endorsed on Physical Notes evidencing title thereto, but shall be constituted by the following text as completed by the provisions of the relevant Final Terms. In the case of Materialised Notes, either (i) the full text of these Terms together with the relevant provisions of the relevant Final Terms (in each case subject to simplification by the deletion of non-applicable provisions) or (ii) the complete text of the Terms, shall be endorsed on Physical Notes. All capitalised terms that are not defined in these Terms shall have the meanings given to them in the relevant Final Terms. References made in the Terms of the Notes are to the Notes of a single Series and not to all Notes that may be issued under the Programme. The Notes constitute bonds (obligations) as defined under French law.*

The Notes are issued by Agence France Locale (the Issuer or **AFL**) in series (each a **Series**), on the same issue date or on different issue dates. Notes from a single Series shall be governed (except for the issue date, the issue price, and the amount of the first interest payment) by identical terms, Notes of each Series being fungible with one another. Each Series may be issued in tranches (each a **Tranche**), on the same issue date or on different issue dates. The Notes shall be issued under the Terms of this Base Prospectus as supplemented by the relevant Final Terms (the **Final Terms**) relating to the specific terms of each Tranche (including the issue date, the Issue Price, the amount of the first interest payment and the nominal amount of the Tranche).

A fiscal agency agreement (as amended and supplemented, the **Fiscal Agency Agreement**) relating to the Notes shall be signed no later than 10 March 2015 between the Issuer and BNP Paribas Securities Services as fiscal agent and principal paying agent and the other agents appointed therein. The fiscal agent, the paying agents and the calculation agent(s) for the time being (where relevant) are referred to below respectively as the **Fiscal Agent**, the **Paying Agents** (such term including the Fiscal Agent) and the **Calculation Agent(s)**. Holders of interest coupons (the **Coupons**) relating to interest-bearing Materialised Notes and, if applicable to such Notes, talons for additional Coupons (the **Talons**) and holders of receipts relating to payments by instalment of the principal of Materialised Notes (the **Receipts**) which principal is redeemable by instalments are respectively referred to as the **Couponholders and the Receiptholders**.

Any reference below to **Condition** refers to the numbered conditions below, unless the context requires otherwise.

### 1. FORM, DENOMINATION, TITLE, REDENOMINATION AND CONSOLIDATION

#### 1.1 Form

Notes may be issued either in dematerialised form (**Dematerialised Notes**) or in materialised form (**Materialised Notes**), as specified in the relevant Final Terms.

- (a) Title to Dematerialised Notes will be evidenced by book entries (*inscriptions en compte*), in accordance with Articles L. 211-3 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French *Code monétaire et financier*) shall be issued in respect of Dematerialised Notes.

Dematerialised Notes (as defined in articles L. 211-3 *et seq.* of the French *Code monétaire et financier*) are issued, at the option of the Issuer, either in bearer form, inscribed in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders, or in registered form (*au nominatif*), and in such latter case, at the option

of the relevant Noteholder, either in administered registered form (*au nominatif administré*), entered in the accounts of an Account Holder designated by the relevant Noteholder, or in pure registered form (*au nominatif pur*), entered in an account maintained by the Issuer or a registration agent (specified in the relevant Final Terms) acting on behalf of the Issuer (the **Registration Agent**).

Unless expressly excluded by the applicable Final Terms in accordance with Articles L. 228-2 of the French *Code de Commerce*, the Issuer may at any time request the central depository to provide information enabling Noteholders to be identified, such as their name, company name, nationality, date of birth or year of incorporation and address or, as the case may be, e-mail address of holders of Dematerialised Notes in bearer form.

In these Terms, **Account Holder** means any intermediary authorised to hold securities accounts, directly or indirectly, with Euroclear France and includes Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

- (b) Materialised Notes are issued in bearer form only. Materialised Notes represented by physical notes (**Physical Notes**) are numbered in series and issued with Coupons (and, if applicable, with a **Talon**) attached, except in the case of Zero Coupon Notes in respect of which references to interest (except in relation to interest due after the Maturity Date), Coupons and Talons in these Terms shall not apply. **Instalment Notes** are issued with one or more Receipts attached.

In accordance with articles L.211-3 *et seq.* of the French *Code monétaire et financier*, securities (such as Notes constituting *obligations* under French law) issued on French territory and governed by French law may only be issued in dematerialised form. Consequently, securities in materialised form and governed by French law may only be issued outside France.

The Notes may be **Fixed Rate Notes, Floating Rate Notes, Fixed/Floating Rate Notes, Instalment Notes** and **Zero Coupon Notes**.

## 1.2 Denomination

Notes shall be issued in the specified denomination(s) specified in the relevant Final Terms (the **Specified Denomination(s)**). Dematerialised Notes must be issued in one single Specified Denomination.

## 1.3 Title

- (a) Title to Dematerialised Notes in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) passes, and such Notes may only be transferred, by registration of the transfer in the accounts of the Account Holders. Title to Dematerialised Notes in pure registered form (*au nominatif pur*) passes, and such Notes may only be transferred, by registration of the transfer in the accounts held by the Issuer or the Registration Agent.
- (b) Title to Physical Notes with, if applicable, Coupons, Receipts and/or a Talon attached at issue, is transferred by delivery.
- (c) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note (as defined below), Coupon, Receipt or Talon shall be deemed to be and may be

treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or any right over or interest in such Note, Coupon, Receipt or Talon, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Terms, **Noteholder** or, as the case may be, **holder of a Note** means (i) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Account Holder, the Issuer or the Registration Agent (as applicable) as being entitled to such Notes, and (ii) in the case of Physical Notes, the bearer of any Physical Note and the Coupons, Receipts or Talons attached to it.

Capitalised terms shall have the meanings given to them in the relevant Final Terms. Where no definition is given, such term does not apply to the Notes.

#### **1.4 Redenomination**

The Issuer may (if so specified in the relevant Final Terms), without the consent of the holder of any Note, Coupon or Talon, by giving notice in accordance with Condition 14 at least 30 calendar days in advance, redenominate in euros all (and not some only) of the Notes of each Series, as from the date on which (i) the Member State of the European Union (the **EU**) in whose currency the Notes are denominated becomes a Member state of the Economic and Monetary Union (as defined in the Treaty establishing the European Community (the **EC**), as amended (the **Treaty**)), or (ii) events that may have substantially the same effect have occurred, convert the aggregate nominal amount and the specified denomination set forth in the applicable Final Terms. The date on which this redenomination becomes effective shall be defined in these Terms as the **Redenomination Date**. The redenomination of the Notes shall be made by converting the nominal amount of the issue and the nominal value of each Note denominated in the relevant national currency into euro by using the fixed conversion rate between this national currency and euro as set out by the European Union Council pursuant to article 123 (4) of the Treaty and by rounding the resulting number to the nearest hundredth of euro (0.005 euro being rounded up). If the Issuer decides so, the resulting number of the conversion of the issue's nominal amount and the nominal amount of each Note after application of the fixed conversion rate between such national currency and euro may be rounded to the nearest lower euro. The nominal amount of the issue and the nominal value of the Notes in euro thus determined shall be notified to the Noteholders pursuant to Condition 14. Any remainder in cash resulting from the redenomination of a value above 0.01 euro shall be paid through a cash portion rounded to the nearest hundredth euro (0.005 euro being rounded up). Such a cash portion shall be payable in euros at the Redenomination Date under the method noticed by the Issuer to the relevant Noteholders. Following a redenomination of Notes, any reference hereunder to the relevant national currency shall be interpreted as a reference to euro.

#### **1.5 Consolidation**

The Issuer shall, on each Interest Payment Date occurring after the Redenomination Date, with the prior consent of the Fiscal Agent (which may not be unreasonably withheld) and without the consent of the Noteholders or Couponholders, by giving notice to the Noteholders as least 30 calendar days in advance in accordance with Condition 14, have the right to consolidate the Notes of a Series denominated in euros with the Notes of one or more other Series in issue, whether or not such Notes were initially issued in one of the European national currencies or in euros, provided that such other Notes have been redenominated in euros pursuant to the terms provided in Condition 1.4 above (if this was not the case initially) and also have, for all periods following such consolidation, the same terms and conditions as the Notes.

## 2. CONVERSION AND EXCHANGE OF NOTES

### 2.1 Dematerialised Notes

- (a) Dematerialised Notes issued in bearer form (*au porteur*) cannot be converted into Dematerialised Notes in registered form, whether in pure registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).
- (b) Dematerialised Notes issued in registered form (*au nominatif*) cannot be converted into Dematerialised Notes in bearer form (*au porteur*).
- (c) Dematerialised Notes issued in pure registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and vice versa. Such option must be exercised by the Noteholder in accordance with article R.211-4 of the French *Code monétaire et financier*. Any costs relating to such conversion shall be borne by the relevant Noteholder.

### 2.2 Materialised Notes

Materialised Notes of a Specified Denomination cannot be exchanged for Materialised Notes of another Specified Denomination.

## 3. STATUS

The Notes and, if applicable, any Receipts and Coupons relating to them, constitute direct, unconditional, unsubordinated and (subject to the paragraph below) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to such exceptions as are mandatory under French law) equally and rateably with all other present or future unsubordinated and unsecured obligations of the Issuer.

So long as any Notes or, if applicable, any Receipts or Coupons attached to such Notes remain outstanding (as defined below), the Issuer shall not grant or permit to subsist any mortgage, charge, pledge or other security interest (*sûreté réelle*) upon any of its assets, rights or revenues, present or future, to secure any Indebtedness (as defined below) incurred or guaranteed by the Issuer, unless the obligations of the Issuer under the Notes and, if applicable, any Receipts and Coupons benefit from equivalent and equal ranking security.

For the purposes of this Condition, **Indebtedness** means any indebtedness in the form of any present or future borrowing, represented by bonds or other securities or negotiable instruments (including in particular securities that are or were originally privately placed) listed or traded or capable of being listed or traded on any stock exchange or any other securities market.

In these Terms, **outstanding** means, in respect of the Notes of any Series, all the Notes issued other than (i) those that have been redeemed in accordance with these Terms, (ii) those in respect of which the redemption date has occurred and the redemption amount (including all interest accrued on such Notes up to such redemption date and any interest payable after such date) has been duly paid in accordance with the provisions of Condition 7, (iii) those which have become void or in respect of which claims have become prescribed, (iv) those which have been purchased and cancelled in accordance with Condition 6.8, (v) those which have been purchased and retained in accordance with Condition 6.7, (vi) in the case of Physical Notes, (A) those mutilated or defaced Physical Notes that have been surrendered in exchange for replacement Physical Notes, (B) (for the sole purpose of determining the number of Physical Notes outstanding and without prejudice to their status for any other purpose) those Physical Notes allegedly lost, stolen or destroyed and in respect of which

replacement Physical Notes have been issued and (C) any Temporary Global Certificate to the extent that it shall have been exchanged for one or more Physical Notes in accordance with its terms.

## **4. GUARANTEES**

### **4.1 The ST Guarantee**

The Notes will benefit from a first demand guarantee (*garantie autonome à première demande*) granted by Agence France Locale – Société Territoriale (**ST**) in accordance with the contract of guarantee dated 20 February 2015 (the **ST Guarantee**).

As such, the Issuer represents and agrees that the Notes will be eligible for the benefit of the first demand guarantee granted by ST, in accordance with Title IV "Guarantee Mechanism" of ST's articles of association and whose terms and conditions are reproduced in paragraph 2 of "Description of the Guarantors and the Guarantee mechanism" section. The acquisition or subscription of any Note will constitute acceptance of the ST Guarantee by each of the Noteholders.

The obligations of ST under the ST Guarantee are unsecured and unsubordinated obligations of ST which rank and will rank equally with all other present and future unsecured and unsubordinated obligations of ST, subject to such exceptions as are from time to time mandatory under French law.

### **4.2 The Member Guarantees**

The Notes will benefit from first demand guarantees (*garanties autonomes à première demande*) granted by local authorities and *établissements publics de coopération intercommunale à fiscalité propre*, members of the Agence France Locale Group (the **Members**) having subscribed a loan with the Issuer (together with ST, the **Guarantors**) (the **Members Guarantees**, together with the ST Guarantee, the **Guarantees**).

In this context, the Issuer represents and agrees that the Notes will be eligible for the benefit of the first demand guarantees granted by Members, in accordance with Title IV "Guarantee Mechanism" of ST's articles of association, substantially in accordance with the terms and conditions of the form of guarantee reproduced in paragraph 3 of "Description of the Guarantors and the Guarantee mechanism" section. The acquisition or subscription of any Note will constitute acceptance of the Members Guarantees by each of the Noteholders.

The obligations of each of the Members under each of the Members Guarantees are unsecured and unsubordinated obligations of each Guarantor which rank and will rank equally with all other present and future unsecured and unsubordinated obligations of each Guarantor, subject to such exceptions as are from time to time mandatory under French law.

### **4.3 Call on Guarantees**

The Guarantees are independent guarantees under French law, and can be called in accordance with their respective terms, which are entirely reproduced in paragraphs 2 and 3 of the section "Description of the Guarantors and the Guarantee mechanism" of this Base Prospectus.

## **5. CALCULATION OF INTEREST AND OTHER CALCULATIONS**

### **5.1 Definitions**

In these Terms, unless the context requires otherwise, the terms defined below shall have the following meanings:

**Benchmark** (*Référence de Marché*) means the Relevant Rate (EURIBOR (TIBEUR in French), EONIA (TEMPE in French), CMS Rate or LIBOR) as specified in the relevant Final Terms.

**Business Day** (*Jour Ouvré*) means:

- (a) in the case of Euro, a day on which the Trans-European automated real-time gross settlement express transfer system (TARGET 2) (**TARGET**), or any system that replaces such system, is operating (a **TARGET Business Day**); and/or
- (b) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (c) in the case of a Specified Currency and/or one or more business centre(s) specified in the relevant Final Terms (the **Business Centre(s)**), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the currency of the Business Centre(s) or, if no currency is specified, generally in each of the specified Business Centres.

**Coupon Amount** (*Montant de Coupon*) means the amount of interest due and, in the case of Fixed Rate Notes, the Fixed Coupon Amount or the Broken Amount (as defined in Condition 5.2), as the case may be, as specified in the relevant Final Terms.

**Coupon Determination Date** (*Date de Détermination du Coupon*) means, in respect of an Interest Rate and an Interest Accrual Period, the date specified as such in the applicable Final Terms or, if no date is specified, (a) the day falling two TARGET Business Days before the first day of such Interest Accrual Period if the Specified Currency is Euro or (b) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (c) if the Specified Currency is neither Sterling nor the Euro, the day falling two Business Days in the city specified in the relevant Final Terms preceding the first day of such Interest Accrual Period.

**Day Count Fraction** (*Méthode de Décompte des Jours*) means, in respect of the calculation of an amount of interests on any Note for any period of time (from (and including) the first day of such period to (but excluding) the last day in such period) (whether or not constituting an Interest Period, the **Calculation Period**):

- (a) if **Actual/365** or **Actual/365-FBF** or **Actual/Actual-ISDA** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **Actual/Actual-ICMA** is specified in the relevant Final Terms:
  - (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods that would normally end in one year; and
  - (ii) if the Calculation Period is longer than the Determination Period, the sum of:



- (A) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods that would normally end in one year; and
- (B) the number of days in such Calculation Period falling in the following Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods that would normally end in one year,

in each case, **Determination Period** means the period from and including a Coupon Determination Date in any year to but excluding the next Determination Date, and **Coupon Determination Date** means the date specified in the relevant Final Terms, or if no date is specified, the Interest Payment Date;

- (c) if **Actual/Actual-FBF** is specified in the relevant Final Terms, the fraction whose numerator is the actual number of days elapsed during such period and whose denominator is 365 (or 366 if 29 February falls within the Calculation Period). If the Calculation Period is of a duration of more than one year, the basis shall be determined as follows:
  - (i) the number of complete years shall be counted back from the last day of the Calculation Period;
  - (ii) this number shall be increased by the fraction for the relevant period calculated as set out in the first paragraph of this definition;
- (d) if **Actual/365 (Fixed)** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (e) if **Actual/360** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (f) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (i.e. the number of days to be calculated on the basis of year of 360 days with twelve 30-day months(unless (i) the last day of the Calculation Period is the 31st day of a month and the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month in which the last day falls shall not be reduced to a thirty day month or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be extended to a thirty day month));
- (g) if **30/360 - FBF** or **Actual 30A/360 (American Bond Basis)** is specified in the applicable Final Terms, then, in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days calculated as for 30E/360 – FBF, subject to the following exception:

where the last day of the Calculation Period is the 31st and the first is neither a 30th nor a 31st, the last month of the Calculation Period shall be deemed to be a month of thirty-one (31) days.

The fraction is:

$$s_{jj}^2 = 31 \text{ et } k^1 \neq (30, 31)$$

$$\text{then: } \frac{1}{360} \times [(aa^2 - aa^1) \times 360 + (mm^2 - mm^1) \times 30 + (jj^2 - jj^1)]$$

or:

$$\frac{1}{360} \times [(aa^2 - aa^1) \times 360 + (mm^2 - mm^1) \times 30 + \text{Min}(jj^2, 30) - \text{Min}(jj^1, 30)]$$

where:

D1(jj<sup>1</sup>, mm<sup>1</sup>, aa<sup>1</sup>) is the commencement date of the period

D2(jj<sup>1</sup>, mm<sup>2</sup>, aa<sup>2</sup>) is the end date of the period;

- (h) if **30E/360** or **Euro Bond Basis** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve (12) 30-days months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a thirty-day month) and;
- (i) if **30E/360 – FBF** is specified in the relevant Final Terms, then, in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days elapsed during such period, calculated on the basis of a year of 12 months of 30 days, subject to the following exception:

If the last day of the Calculation Period is the last day of the month of February, the number of days elapsed during such month shall be the actual number of days.

Using the same defined terms as used for **30/360 - FBF**, the fraction is:

$$\frac{1}{360} \times \left[ (aa^2 - aa^1) \times 360 + (mm^2 - mm^1) \times 30 + \text{Min}(jj^2, 30) - \text{Min}(jj^1, 30) \right]$$

**Effective Date** (*Date de Valeur*) means, in respect of a Floating Rate to be determined on any Coupon Determination Date, the date specified in the relevant Final Terms or, if no date is specified, the first day of the Interest Accrual Period to which such Coupon Determination Date relates.

**Euro-zone** (*Zone Euro*) means the region composed of the Member states of the EU that have adopted the single currency in accordance with the Treaty.

**FBF Definitions** (*Définitions FBF*) means the definitions set out in the June 2013 FBF Master Agreement relating to transactions on forward financial instruments, as supplemented by the Technical Schedules (*Additifs Techniques*), as published by the *Fédération Bancaire Française* (together the **FBF Master Agreement**) as amended, as the case may be, at the Issue Date.

**Interest Accrual Period** (*Période d'Intérêts Courus*) means the period beginning on (and including) the Interest Period Commencement Date and ending on (but excluding) the first Interest Accrual Period Date as well as each subsequent period beginning on (and including) an Interest Accrual Period Date and ending on (but excluding) the following Interest Accrual Period Date.

**Interest Accrual Period Date** (*Date de Période d'Intérêts Courus*) means each Interest Payment Date unless provided otherwise in the relevant Final Terms.

**Interest Payment Date** (*Date de Paiement du Coupon*) means the date(s) specified in the relevant Final Terms.

**Interest Period** (*Période d'Intérêts*) means the period beginning on (and including) the Interest Period Commencement Date and ending on (but excluding) the first Interest Payment Date as well as each subsequent period beginning on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date.

**Interest Period Commencement Date** (*Date de Début de Période d'Intérêts*) means the Issue Date of the Notes or any other date referred to in the relevant Final Terms.

**Interest Rate** (*Taux d'Intérêt*) means the interest rate payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions of these Terms as supplemented by the applicable Final Terms.

**ISDA Definitions** (*Définitions ISDA*) means the 2006 ISDA Definitions, as published by the *International Swaps and Derivatives Association, Inc.* (formerly the *International Swap Dealers Association, Inc.*) as amended, as the case may be, at the Issue Date.

**Issue Date** (*Date d'Emission*) means, in respect of a relevant Tranche, the settlement date of the Notes.

**Margin** means, for an Interest Accrual Period, the percentage or number for the applicable Interest Accrual Period, as indicated in the relevant Final Terms, being specified that it may have a positive value, a negative value or equal zero.

**Reference Banks** (*Banques de Référence*) means the institutions specified as such in the relevant Final Terms or, if none is specified, four prime banks selected by the Calculation Agent on the interbank market (or if necessary, on the money market or the swaps market) with the closest connection to the Benchmark (which, if the relevant Benchmark is EURIBOR (TIBEUR in French), EONIA (TEMPE in French) shall be the Euro-zone, if the Benchmark is LIBOR, shall be London and if the Benchmark is the CMS rate, shall be the swaps market of the Relevant Financial Centre.)

**Relevant Date** (*Date de Référence*) means, in respect of any Note, Receipt or Coupon, the date on which the amount payable under such Note, Receipt or Coupon becomes due and payable or (if any amount due and payable is improperly withheld or refused) the date on which the outstanding amount is paid in full or (in the case of Materialised Notes, if such date falls earlier) the day falling seven calendar days after the date on which the holders of such Materialised Notes have been notified that, upon further presentation of such Materialised Note, Receipt or Coupon being made in accordance with the Terms, such payment will be made, provided that payment is in fact made upon such presentation.

**Relevant Financial Centre** (*Place Financière de Référence*) means, in respect of a Floating Rate to be determined in accordance with a Screen Rate Determination on a Coupon Determination Date, the financial centre as may be specified in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR (TIBEUR in French), EONIA (TEMPE in French), shall be the Euro-zone, in the case of LIBOR, shall be London and in the case of CMS Rate, shall be the relevant financial centre related to the Specified Currency) or, if none is so connected, Paris.

**Relevant Rate** (*Taux de Référence*) means the Benchmark for a Representative Amount in the Specified Currency for a period equal to the Specified Duration commencing on the Effective Date (if such period is applicable to or compatible with the Benchmark).

**Relevant Time** (*Heure de Référence*) means, with respect to any Coupon Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency on the interbank market in the Relevant Financial Centre. For this purpose **local time** means, with respect to Europe and the Eurozone as a Relevant Financial Centre, 11.00 a.m. (Brussels time).

**Representative Amount** (*Montant Donné*) means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on a Coupon Determination Date, the amount specified as such on that date in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**Screen Page** (*Page Ecran*) means any page, section, heading, column or any other part of a document supplied by any information service (including without limitation Thomson Reuters (**Reuters**)) as may be nominated to provide a Relevant Rate or any other page, section, heading, column or any other part of a document of such information service or any other information service as may replace it, in each case as nominated by the entity or organisation providing or responsible for the dissemination of the information appearing on such service to indicate rates or prices comparable to the Relevant Rate, as specified in the relevant Final Terms.

**Specified Currency** (*Devise Prévue*) means, the currency specified in the relevant Final Terms or, if no currency is specified, the currency in which the Notes are denominated.

**Specified Duration** (*Durée Prévue*) means, with respect to any Floating Rate to be determined by Screen Rate Determination on a Coupon Determination Date, the duration specified in the relevant Final Terms, or if no duration is specified, a period of time equal to the Interest Accrual Period, ignoring any adjustment pursuant to Condition 5.3(b).

## 5.2 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest calculated on its outstanding nominal amount, as from the Interest Period Commencement Date, at an annual rate (expressed as a percentage) equal to the Interest Rate, payable annually, semi-annually, quarterly or monthly (unless provided otherwise in the relevant Final Terms) in arrears on each Interest Payment Date.

If a fixed coupon amount (**Fixed Coupon Amount**) or a broken amount of interest (**Broken Amount**) is specified in the relevant Final Terms, the Coupon Amount payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified.

## 5.3 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note shall bear interest calculated on its unredeemed nominal amount, as from the Interest Period Commencement Date, at an annual rate (expressed as a percentage) equal to the Interest Rate, payable annually, semi-annually, quarterly or monthly (unless provided otherwise in the relevant Final Terms) in arrears on each Interest Payment Date. Such Interest Payment Date(s) shall be specified in the applicable Final Terms; if no Interest

Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date falling at the end of such number of months or at the end of such other period as is specified in the applicable Final Terms as being the Interest Period, falling after the preceding Interest Payment Date and, in the case of the first Interest Payment Date, falling after the Interest Period Commencement Date.

**(b) Business Day Convention**

If any date referred to in these Terms that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the applicable Business Day Convention is (i) the **Floating Rate Business Day Convention**, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (ii) the **Following Business Day Convention**, such date shall be postponed to the next day that is a Business Day, (iii) the **Modified Following Business Day Convention**, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (iv) the **Preceding Business Day Convention**, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, if the applicable Final Terms indicate that the Business Day Convention shall be applied on a "non-adjusted" basis, the Coupon Amount payable at any date shall not be affected by the application of the relevant Business Day Convention.

**(c) Interest Rate for Floating Rate Notes**

The Interest Rate in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in compliance with the provisions below relating to FBF Determination, Screen Rate Determination or ISDA Determination, as specified in the relevant Final Terms.

**(i) FBF Determination for Floating Rate Notes**

Where FBF Determination is specified in the relevant Final Terms as being the method applicable for the determination of the Interest Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Agent as being a rate equal to the relevant FBF Rate plus or minus, as the case may be (as specified in the relevant Final Terms), the Margin. For the purposes of this sub-paragraph (i), **FBF Rate** in respect of an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Agent for a swap transaction entered into pursuant to an FBF Master Agreement supplemented by the Interest Rate or Currency Swaps Technical Schedule under the terms of which:

- (A) the relevant Floating Rate is as specified in the relevant Final Terms; and
- (B) the Floating Rate Determination Date is as specified in the relevant Final Terms.

For the purposes of this sub-paragraph (i), **Floating Rate**, **Agent**, and **Floating Rate Determination Date** have the meanings given to those terms in the FBF Definitions.

(ii) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as being the method applicable for the determination of the Interest Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Calculation Agent as being a rate equal to the relevant ISDA Rate plus or minus, as the case may be (as specified in the relevant Final Terms), the Margin. For the purposes of this sub-paragraph (ii), the **ISDA Rate** in respect of an Interest Accrual Period means a rate equal to the Floating Rate as determined by the Calculation Agent for a Swap Transaction entered into pursuant to an agreement incorporating the ISDA Definitions under the terms of which:

- (A) the Floating Rate Option is as specified in the relevant Final Terms;
- (B) the Designated Maturity is a period specified in the relevant Final Terms; and
- (C) the relevant Reset Date is the first day of such Interest Accrual Period, unless provided otherwise in the relevant Final Terms.

For the purposes of this sub-paragraph (ii), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date** and **Swap Transaction** shall have the meanings given to those terms in the ISDA Definitions.

(iii) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the relevant Final Terms as being the method applicable for the determination of the Interest Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Calculation Agent at (or about) the Relevant Time on the Coupon Determination Date relating to such Interest Accrual Period as specified below:

- (A) if the primary source for the Floating Rate is a Screen Page, subject as provided below, the Interest Rate shall be:
  - I. the Relevant Rate (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity), or
  - II. the arithmetic mean of the Relevant Rates of the entities whose Relevant Rates appear on that Screen Page,

in each case as published on such Screen Page, at the Relevant Time on the Coupon Determination Date, as specified in the relevant Final Terms, decreased or increased, as the case may be (as specified in the relevant Final Terms), by the Margin;

- (B) if the primary source for the Floating Rate is Reference Banks or if sub-paragraph (A)(I) above applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Coupon Determination Date or if sub-paragraph (A)(II) above applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Coupon Determination Date, the Interest Rate, subject as provided below, shall be equal to the arithmetic

mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Coupon Determination Date, as determined by the Calculation Agent, decreased or increased, as the case may be (as specified in the relevant Final Terms) by the Margin; and

- (C) if paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the Interest Rate shall, subject as provided below, be the arithmetic mean of the rates *per annum* (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent, (the **Principal Financial Centre**) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period beginning on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Coupon Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period as specified, as the case may be, in the applicable Final Terms).
- (D) Notwithstanding the provisions of paragraphs (A), (B) and (C) above, if the major source for the Floating Rate is a Screen Page and the Reference Rate is specified as being CMS Rate, the Interest Rate for each Interest Accrual Period will, subject as provided below, be determined by the Calculation Agent based on the annual rate applicable to a swap for a swap in the Specified Currency which maturity is the Specified Period, expressed on percentage, as it appears on the Screen Page at the Specified Time on the relevant Coupon Determination Date and increased or decreased, as the case may be (as specified in the relevant Final Terms) with the Margin (the CMS Rate).

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Coupon Determination Date. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotations, the CMS Rate for such Interest Accrual Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as

provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

For the purposes of this sub-paragraph (D):

**Relevant Swap Rate** means:

- (i) where the Specified Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Specified Duration commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a Specified Duration determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Specified Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on an Actual 30/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Specified Duration commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg is, in each case, calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Specified Duration is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Specified Duration is one year or less, to GBP-LIBORBBA with a designated maturity of three months;
- (iii) where the Specified Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Specified Duration commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Specified Currency is any other currency or, if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the relevant Final Terms.



**Representative Amount** means an amount that is representative for a single transaction in the relevant market at the relevant time.

Unless otherwise specified in the applicable Final Terms, the Minimum Interest Rate will be considered to be zero.

#### **5.4 Interests of Fixed/Floating Rate Notes**

Each Fixed/Floating Rate Note bears interest at a rate (i) that the Issuer may decide to convert at the date specified in the relevant Final Terms from a Fixed Rate to a Floating Rate (among the types of Floating Rate Notes mentioned in Condition 5.3(c) above) or (ii) which shall be automatically converted from a Fixed Rate to a Floating Rate at the date specified in the relevant Final Terms.

#### **5.5 Zero Coupon Notes**

Where a Zero Coupon Note is redeemable prior to its Maturity Date by exercise of an Option of Redemption of the Issuer (as described in Condition 6.3 below) or, if so specified in the relevant Final Terms, pursuant to Condition 6.5 or in any other manner, and such Note is not redeemed on the due date, the amount due and payable prior to the Maturity Date shall be the Optional Redemption Amount or the Early Redemption Amount, as the case may be. As from the Maturity Date, the overdue principal of such Note shall bear interest at a rate *per annum* (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6.5(a)).

#### **5.6 Accrual of interest**

Interest shall cease to accrue on each Note on the due date for redemption unless (a) on such due date, in the case of Dematerialised Notes or (b) upon due presentation, in the case of Materialised Notes, repayment of principal is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Interest Rate in the manner provided in Condition 5 up to the Relevant Date.

#### **5.7 Margin, Rate Multiplier, Interest Rate, Instalment Amounts, Minimum and Maximum Redemption Amounts and Rounding**

- (a) If a Margin or a Rate Multiplier is specified in the relevant Final Terms, (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Interest Rates, in the case of (x), or the Interest Rates applicable to the relevant Interest Accrual Periods, in the case of (y), calculated in accordance with paragraph (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin or multiplying the Interest Rate by the Rate Multiplier, subject always to the provisions of the following paragraph.
- (b) If any Interest Rate, Instalment Amount or Minimum or Maximum Redemption Amount is specified in the relevant Final Terms, then any Interest Rate, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (c) For the purposes of any calculations required pursuant to these Terms, (i) if FBF Determination is specified in the relevant Final Terms, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with halves being rounded up) (ii) otherwise all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (iii) all figures shall be rounded to seven figures (with halves being rounded up) and (iv) all currency amounts that fall due and payable shall be rounded to the nearest

unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes, **unit** means the lowest amount of such currency that is available as legal tender in the country of such currency.

## **5.8 Calculations**

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding nominal amount of such Note by the Day Count Fraction, unless a Coupon Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Coupon Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

## **5.9 Determination and publication of Interest Rates, Coupon Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

As soon as practicable after the Relevant Time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Coupon Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period. It shall also calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be. It shall then cause the Interest Rate and the Coupon Amounts for each Interest Period and the relevant Interest Payment Date and, if required, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents and any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information. If the Notes are admitted to trading on a regulated market and the rules of such market so require, it shall also notify such information to such market and/or the Noteholders as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such date, in the case of notification to such market of an Interest Rate and Coupon Amount, or (ii) in all other cases, no later than the fourth Business Day after such determination. Where any Interest Payment Date or Interest Accrual Period Date is subject to adjustment pursuant to Condition 5.3(b), the Coupon Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

## **5.10 Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with at least one office in the Relevant Financial Centre and one or more Calculation Agents if so specified in the relevant Final Terms and for so long as any Note is outstanding (as defined in Condition 3 above). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Terms to the Calculation Agent shall be construed as a reference to each Calculation Agent

performing its respective duties under these Terms. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for an Interest Period or Interest Accrual Period or to calculate any Coupon Amount, Instalment Amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment bank operating in the interbank market (or, if appropriate, money market, or swaps market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed in the manner described above.

## **6. REDEMPTION, PURCHASE AND OPTIONS**

### **6.1 Redemption at maturity**

Unless previously redeemed, or purchased or cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at the Final Redemption Amount (which, unless otherwise provided, equals its nominal amount (except for Zero Coupon Notes)) specified in the relevant Final Terms or, in the case of a Note falling within Condition 6.2 below, its final Instalment Amount.

### **6.2 Redemption by instalments**

Unless previously redeemed or purchased and cancelled as provided in this Condition 6 or unless the relevant Instalment Date (being one of the dates so specified in the relevant Final Terms) is extended pursuant to the exercise of any Issuer's or Noteholder's option in accordance with Condition 6.3 or 6.4, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, by such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Notes, on the date specified for such payment or (ii) in the case of Materialised Notes, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

### **6.3 Redemption at the option of the Issuer**

If Issuer call is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer with all applicable laws, regulations and directives, and on giving not less than 30 and not more than 60 calendar days' irrevocable notice to the Noteholders in accordance with Condition 14 (or any other notice period as may be specified in the relevant Final Terms), redeem all or, if so provided, some of the Notes, as the case may be, on any Option Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the relevant Final Terms together with interest accrued to the date fixed for redemption in the relevant Final Terms. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed as specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption by the Issuer in respect of Materialised Notes of the same series, the notice to holders of such Materialised Notes must also indicate the number of Physical Notes to be redeemed. The Notes must have been selected in such manner as is fair and objective in the circumstances, taking account of prevailing market practices and in accordance with all applicable stock market laws and regulations.

In the case of a partial redemption by the Issuer in respect of Dematerialised Notes of any one Series, the redemption may be made, at the option of the Issuer, either (a) by reducing the nominal amount of such Dematerialised Notes pro rata the nominal amount redeemed, or (b) by redeeming in full some only of the Dematerialised Notes and, in such event, the choice between those Dematerialised Notes that will be fully redeemed and those Dematerialised Notes that will not be redeemed shall be made in accordance with Article R. 213-16 of the French *Code Monétaire et Financier* subject to compliance with the relevant Final Terms and with any other applicable laws and requirements of the Regulated Market on which the Notes are listed and admitted to trading.

#### **6.4 Redemption at the option of the Noteholders**

If Noteholders put is specified in the relevant Final Terms, the Issuer shall, at the option of the holder of any such Note and upon giving not less than 30 and not more than 60 calendar days' irrevocable notice to the Issuer (or any other notice period as may be specified in the relevant Final Terms), redeem such Note on the Optional Redemption Date(s) at the Optional Redemption Amount specified in the applicable Final Terms together with interest accrued to the date fixed for redemption in the relevant Final Terms. In order to exercise such option, the Noteholder must deposit with a Paying Agent at its specified office by the required deadline a duly completed option exercise notice (the **Exercise Notice**) in the form obtainable during normal office hours from the Paying Agent or Registration Agent, as the case may be. In the case of Materialised Notes, the relevant Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) must be attached to the Exercise Notice. In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paying Agent, as specified in the Exercise Notice. No option that has been exercised or, if relevant, no Note that has been deposited or transferred may be withdrawn without the prior written consent of the Issuer.

#### **6.5 Early Redemption**

##### **(a) Zero Coupon Notes**

- (i) The Early Redemption Amount payable in respect of any Zero Coupon Note shall, upon redemption of such Note pursuant to Condition 6.6 or 6.9 or upon it becoming due and payable as provided in Condition 9, be the Amortised Face Amount (calculated as provided below) of such Note.
- (ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Zero Coupon Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate *per annum* (expressed as a percentage) equal to the Amortisation Yield (which, if a rate is not specified in the relevant Final Terms, shall be such rate as would result in an Amortised Face Amount equal to the Issue Price of the Notes if discounted back to their Issue Price on the Issue Date) compounded annually.
- (iii) If the Early Redemption Amount payable in respect of each Note upon its redemption pursuant to Condition 6.6 or 6.9 or upon it becoming due and payable in accordance with Condition 9 is not paid when due, the Early Redemption Amount

due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as if the reference therein to the date on which such Note becomes due and payable were a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date, together with any interest that may accrue in accordance with Condition 5.4. Where such calculation is to be made for a period of less than one (1) year, it shall be made on the basis of one of the Day Count Fractions mentioned in Condition 5.1 and specified in the relevant Final Terms.

**(b) Other Notes**

The Early Redemption Amount payable in respect of any Note (other than Notes referred to in paragraph (a) above), upon redemption pursuant to Condition 6.6 or 6.9 or upon it becoming due and payable pursuant to Condition 9, shall be the Final Redemption Amount plus all accrued interests until the date fixed for redemption in the relevant Final Terms.

**6.6 Redemption for tax reasons**

- (a) If, at the time of any redemption of principal or payment of interest, the Issuer is obliged to pay additional amounts in accordance with Condition 8.2 below, by reason of any change in or amendment to the laws and regulations in France, or any change in the official application or interpretation thereof, made after the Issue Date, the Issuer may (having given notice to the Noteholders in accordance with Condition 14, at the earliest 45 calendar days and at the latest 30 calendar days prior to such payment (which notice shall be irrevocable)) redeem, on any Interest Payment Date or, if specified in the applicable Final Terms, at any time, all but not some only of the Notes at the Early Redemption Amount together with, all interest accrued until the date fixed for redemption, provided that the due date for redemption of which notice hereunder shall be given shall not be earlier than the latest practicable date on which the Issuer could make a payment of principal and/or interest without withholding for French taxes.
- (b) If, on the occasion of the next redemption of principal or payment of interest in respect of the Notes, the Issuer would be prevented by French law from making payment of the full amount then due and payable to the Noteholders and Couponholders, notwithstanding the undertaking to pay additional amounts in accordance with Condition 8.2 below, the Issuer shall forthwith give notice of such fact to the Fiscal Agent. The Issuer shall, having given 7 calendar days' notice to the Noteholders in accordance with Condition 14, redeem all, and not some only, of the Notes then outstanding at their Early Redemption Amount, together with all interest accrued up to the date fixed for redemption, on (i) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount due and payable on the Notes, provided that if the notice referred to above would expire after such Interest Payment Date, the date for redemption to the Noteholders shall be the later of (A) the latest practicable date on which the Issuer could make payment of the full amount then due and payable on the Notes and (B) 14 calendar days after giving notice to the Fiscal Agent or (ii) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder is given shall be the latest practicable date on which the Issuer could make payment of the full amount due and payable in respect of the Notes and, if relevant, any Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

## **6.7 Purchases**

The Issuer may at any time purchase Notes on the stock market or otherwise (including pursuant to a public offer) at any price (provided however that, in the case of Materialised Notes, all unmatured Receipts and Coupons, and all unexchanged Talons relating thereto, are attached to or surrendered with such Materialised Notes), in accordance with applicable laws and regulations.

The Final Terms shall specify if Notes purchased by the Issuer may be retained in accordance with Article L. 213-1-A of the French *Code monétaire et financier*, to provide liquidity for the Notes (provided that in such event the Issuer will not keep the Notes for a period exceeding one year from the date of acquisition, in accordance with Article D. 213-1-A of the French *Code Monétaire et Financier*), or cancelled in accordance with Condition 6.8 below.

## **6.8 Cancellation**

All Notes redeemed or purchased for cancellation in accordance with Condition 6.7 above, by or on behalf of the Issuer, shall be cancelled, in the case of Dematerialised Notes, by transfer to an account pursuant to the rules and procedures of Euroclear France, and in the case of Materialised Notes, by delivery to the Fiscal Agent of the relevant Temporary Global Certificate or the Physical Notes in question, together with all unmatured Coupons and Receipts and all unexchanged Talons attached to such Notes, if relevant, and in each case, if so transferred and surrendered, all such Notes shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights in respect of payment of interest and other amounts in respect of such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Coupons and Receipts and all unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, as the case may be, transferred or surrendered for cancellation may not be re-issued or re-sold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **6.9 Illegality**

If, by virtue of the introduction of any new law or regulation in France, any change of law or other mandatory provision or any change in the interpretation thereof by any French court or administrative authority, which takes effect after the Issue Date, it becomes unlawful for the Issuer to perform or comply with its obligations under the Notes, the Issuer shall, having given notice to the Noteholders in accordance with Condition 14, at the earliest 45 calendar days and at the latest 30 calendar days prior to such payment (which notice shall be irrevocable), redeem all and not some only of the Notes at the Early Redemption Amount together with all interest accrued up to the date fixed for redemption.

# **7. PAYMENTS AND TALONS**

## **7.1 Dematerialised Notes**

Any payment of principal or interest in respect of Dematerialised Notes shall be made (a) in the case of Dematerialised Notes in bearer form (*au porteur*) or in administered registered form (*au nominatif administré*), by transfer to an account denominated in the Specified Currency held with the Account Holders for the benefit of the Noteholders, and (b) in the case of Dematerialised Notes in pure registered form (*au nominatif pur*), by transfer to an account denominated in the Specified Currency, held with a Bank (as defined below) designated by the relevant Noteholder. The Issuer's payment obligations shall be discharged upon such payments being duly made to such Account Holders or such Bank.

## 7.2 Physical Notes

### (a) Method of payment

Subject as provided below, any payment in a Specified Currency shall be made by credit or transfer to an account denominated in the Specified Currency or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) held by the beneficiary or, at the option of the beneficiary, by cheque denominated in the Specified Currency drawn on a bank located in the principal financial centre of the country of the Specified Currency (which, if the Specified Currency is the euro, shall be a country within the Euro-zone and if the Specified Currency is the Australian dollar or New Zealand dollar, shall be Sydney or Auckland respectively).

### (b) Presentation and surrender of Physical Notes, Receipts and Coupons

Any payment of principal in respect of Physical Notes, shall (subject as provided below) be made in the manner described in paragraph (a) above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Notes and any payment of interest in respect of Physical Notes shall (subject as provided below) be made in the manner described above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Coupons, in each case at the specified office of any Paying Agent located outside the United States of America (such term meaning for the purposes hereof the United States of America (including the States and District of Columbia, their territories, possessions and other places under its jurisdiction)).

Any instalment of principal in respect of Physical Notes, other than the last payment, shall, where appropriate, (subject as provided below) be made in the manner described in paragraph (a) above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the last instalment shall be made in the manner described in paragraph (a) above solely upon presentation and surrender (or, in the case of a partial payment of an outstanding amount, upon endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment with the related Physical Note. Any relevant Receipt presented for payment without the related Physical Note shall render the Issuer's obligations null and void.

Unmatured Receipts relating to Physical Notes (whether or not attached) shall, where appropriate, become void and no payment shall be made in respect thereof on the date on which such Physical Notes become due.

Fixed Rate Notes represented by Physical Notes must be surrendered for payment together with all unmatured Coupons appertaining thereto (such expression including, for the purposes hereof, Coupons to be issued in exchange for matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of a partial payment, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the amount due. Any amount of principal so deducted shall be paid in the manner described above against surrender of the missing Coupon before the 1<sup>st</sup> January of the fourth year following the due date for payment of such amount, and not under any circumstances thereafter.

Where a Fixed Rate Note represented by a Physical Note becomes due prior to its Maturity Date, unmatured Talons appertaining thereto become void and no further Coupons shall be delivered.

Where a Floating Rate Note represented by a Physical Note becomes due prior to its Maturity Date, unmatured Coupons and Talons (if any) appertaining thereto (whether or not attached) become void and no payment shall be made or, if relevant, no further Coupons shall be delivered in respect thereof.

If a Physical Note is redeemed on a date that is not an Interest Payment Date, the interest (if any) accrued on such Note since the previous Interest Payment Date (included) or, as the case may be, the Interest Period Commencement Date (included) shall be paid only upon presentation and surrender (if relevant) of the related Physical Note.

### **7.3 Payments in the United States of America**

Notwithstanding the foregoing, if any Materialised Note is denominated in U.S. dollars, payments in respect thereof may be made at the specified office designated by any Paying Agent in New York in the same manner as provided above if (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### **7.4 Payments subject to fiscal laws**

All payments shall be subject to any laws, regulations and directives, including fiscal, applicable without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### **7.5 Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Calculation Agent and the Registration Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this Base Prospectus. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer, and the Calculation Agents solely as independent experts, and under no circumstances do any of them assume any obligation or relationship of agency for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any Paying Agent, Calculation Agent or Registration Agent and to appoint any other Fiscal Agent, Paying Agent(s), Calculation Agent(s) or Registration Agent(s) or any additional Paying Agent(s), Calculation Agent(s) or Registration Agent(s), provided that the Issuer shall at all times maintain (a) a Fiscal Agent, (b) one or more Calculation Agents, where the Terms so require, (c) a Paying Agent with specified offices in at least two major European cities (providing fiscal agency services in respect of the Notes in France so long as any Notes are admitted to trading on Euronext Paris and applicable market regulations so require), (d) in the case of Materialised Notes, a Paying Agent with an office in a Member State of the EU that is not obliged to withhold or deduct tax pursuant to the Council of the European Union Directive 2003/48/EC, as amended by Directive 2014/48/EU or any other EU directive implementing the conclusions of the ECOFIN Council resolutions of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive (which Paying Agent may be one of those referred to in (c) above), (e) in the case of Dematerialised Notes in pure registered form



(*au nominatif pur*), a Registration Agent and (f) any other agent that may be required under the rules of any Regulated Market on which the Notes may be admitted to trading.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Notes denominated U.S. dollars in the circumstances described in Condition 7.3 above.

Notice of any such change or of any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 14.

## **7.6 Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

## **7.7 Business Days**

If any date for payment in respect of any Note or Coupon is not a business day (as defined below), the Noteholder, or Couponholder shall not be entitled to payment until the next following business day, nor to any other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or Sunday) (a) (i) in the case of Dematerialised Notes, on which Euroclear France is operating, or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation of the note for payment, (b) on which banks and foreign exchange markets are open for business in the countries specified as "Financial Centres" in the relevant Final Terms and (c) (i), in the case of a payment in a currency other than euro, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, a day on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii), in the case of a payment in euros, a day which is a TARGET Business Day.

## **7.8 Bank**

For the purposes of this Condition 7, **Bank** means a bank established in the principal financial centre of the country in which the Specified Currency is the lawful currency, or in the case of payments in euros, in a city in which banks have access to the TARGET system.

## **8. TAXATION**

### **8.1 Withholding**

All payments of principal or interest by or on behalf of the Issuer in respect of the Notes, Receipts or Coupons shall be made free and clear of, and without withholding or deduction for, any taxes or duties of whatever nature imposed, levied or collected by or on behalf of France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

### **8.2 Additional Amounts**

If French law should require that payments of principal or in respect of any Note, Receipt or Coupon are to be subject to withholding or deduction with respect to any taxes or duties whatsoever, present or future, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, Receipts and Coupons receive the full amount that

would have been payable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon in the following cases:

- (a) **Other connection:** the Noteholder or Coupons, or any third party acting on his behalf, is liable to such tax or duty in France by reason of having some connection with France other than the mere holding of the Notes, Receipts or Coupons; or
- (b) **More than 30 calendar days have passed since the Relevant Date:** in the case of Physical Notes, more than 30 calendar days have passed since the Relevant Date, except where the holder of such Notes, Receipts or Coupons would have been entitled to an additional amount on presentation of the same for payment on the last day of such 30 days period; or
- (c) **European Directive on the taxation of savings income:** when such withholding or deduction is required to be made pursuant to the Council of the European Union Directive 2003/48/EC as amended by Directive 2014/48/EU or any other European Union directive implementing the conclusions of the ECOFIN Council resolutions of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (d) **Payment by another Paying Agent:** in the case of Physical Notes presented for payment, where such withholding or deduction is made by or on behalf of a holder who could have avoided such withholding or deduction by presenting the relevant Note, Receipt or Coupon to a Paying Agent in another member State of the European Union.

References in these Terms to (i) **principal** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 as completed by the relevant Final Terms, (ii) **interest** shall be deemed to include all Coupon Amounts and all other amounts payable pursuant to Condition 5 as completed by the relevant Final Terms and (iii) **principal** and/or **interest** shall be deemed to include any additional amounts that may be payable under this Condition.

## 9. EVENTS OF DEFAULT

If any of the following events occurs (each constituting an **Event of Default**), (i) the Representative (as defined in Condition 11) acting on its own or upon request of any Noteholder, may, upon written notice given on behalf of the *Masse* (as defined in Condition 11) by registered letter with acknowledgment of receipt to the Issuer, with a copy to the Fiscal Agent and the Guarantors, before the relevant default has been remedied, cause all of the Notes (but not some only) to become immediately due and payable; or (ii) if there is no Representative, any Noteholder may, upon written notice by registered letter with acknowledgment of receipt to the Issuer with a copy to the Fiscal Agent, cause all of the Notes (but not some only) to become immediately due and payable at the Early Redemption Amount together with all accrued interest up to the actual date of redemption, without the necessity for any prior formal demand:

- (a) if the Issuer defaults in any payment of principal or interest due under any Note, Receipt or Coupon or, where applicable, the increase provided in case of withholding or deduction which the Notes become subject for a period of more than fifteen (15) calendar days from such due date; or
- (b) if there is a default by the Issuer in the due performance of any other provision of the Terms of the Notes, and such default has not been remedied within thirty (30) calendar days after

receipt by the Issuer of written notice of such default from the Representative or, in the event that the holders of the Notes of a Series are not grouped together in a *Masse*, any Noteholder; or

- (c) if the Issuer or ST proposes a general moratorium on its debts; or judgment is rendered for its judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of the business (*cession totale de l'entreprise*); or, to the extent permitted by law, the Issuer or ST is subject to any other liquidation or bankruptcy procedure.

## 10. PRESCRIPTION

All claims against the Issuer in relation to the Notes, Receipts and Coupons (except for Talons) shall lapse after four (4) years from the 1<sup>st</sup> of January of the year following their respective due dates.

## 11. REPRESENTATION OF NOTEHOLDERS

The Noteholders make the following representations:

- (a) if the relevant Final Terms specify "Full *Masse*", the Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *Masse* and the provisions of the French *Code de commerce* relating to the *Masse* shall apply.

The names and addresses of the initial Representative and its alternate will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of any Series of Notes will be the representative of the single *Masse* of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties, if any, as set out in the relevant Final Terms.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the alternate Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected at a General Meeting of the Noteholders (as defined below).

- (b) if the relevant Final Terms specify "Contractual *Masse*", the Noteholders will, in respect of all Tranches of a single Series, be grouped together automatically for the defence of their common interests in a *Masse*. The *Masse* will be governed by the provisions of the French *Code de commerce*, with the exception of Articles L.228-48, L.228-59, L.228-71, R.228-63, R.228-67 and R.228-69

- (i) Legal personality

The *Masse* will be a separate legal entity, acting in part through a representative (the **Representative**) and in part through a Noteholders' general meeting (the Noteholders' **General Meeting**).

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which may accrue now or in the future under or with respect to the Notes.

- (ii) Representative

The person acting as Representative may be of any nationality. However, the following persons may not be chosen as Representative:

- (A) the Issuer, the Members of its Executive Board (*Directoire*), its supervisory boards (*Conseil de surveillance*), its employees and their ancestors, descendants and spouses, or
- (B) entities guaranteeing all or part of the obligations of the Issuer, their respective general managers, managing directors, Members of their Board of Directors, Executive Board or Supervisory Board, their statutory auditors, employees or any of their ancestors, descendants and spouses respectively, or
- (C) any persons prohibited from exercising the profession of banker, or who are disqualified from acting as director, administrator or manager of a company in whatever capacity.

The names and addresses of the incumbent Representative of the *Masse* and his alternate shall be set forth in the relevant Final Terms. The Representative appointed for the first Tranche of a Series of Notes shall be the sole Representative of the *Masse* for all Tranches of such Series.

The Representative shall receive remuneration for the performance of his functions and duties, if so provided, on such date or dates as may be specified in the relevant Final Terms.

In the event of death, resignation or dismissal of a Representative, the alternate Representative shall replace him. In the event of death, resignation or dismissal of the alternate Representative, the Noteholders' General Meeting shall appoint another alternate Representative to replace him.

All interested parties may at any time obtain the names and addresses of the initial Representative and his alternate at the principal office of the Issuer and the specified office of any of the Paying Agents.

(iii) Powers of the Representative

The Representative shall (in the absence of any decision to the contrary of the Noteholders' General Meeting), have the power to take any management action necessary for the defence of the common interests of the Noteholders.

All legal proceedings brought against or by the Noteholders must be brought by or against the Representative, as the case may be.

The Representative may not interfere in the management of the Issuer's affairs.

(iv) Noteholders' General Meeting

Noteholders' General Meetings may be held at any time, on convocation either by the Issuer or the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30th) of the nominal amount of the Notes outstanding may request the Issuer or the Representative to convene a General Meeting; if such General Meeting has not been convened within two (2) months from such demand, such

Noteholders may instruct one of themselves to petition the competent courts of Paris to appoint an agent to convene the meeting.

Notice of the date, hour, place and agenda of the General Meeting shall be published as provided in Condition 14.

Each Noteholder has the right to participate in General Meetings in person, by proxy or by postal ballot. Each Note carries one vote or, in the case of Notes issued with several Specified Denominations, one vote in respect of each multiple of the smallest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

In accordance with Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced by entries in the books of the relevant Account Holder of the name of such Noteholder as of midnight, Paris time, on the second business day in Paris preceding the date set for the relevant General Meeting.

(v) Powers of the General Meeting

The General Meeting has power to consider proposals for the dismissal and replacement of the Representative and his alternate. It may also vote on any other matter concerning the common rights, actions and benefits attached to or accruing with respect to the Notes, now or in the future, including authorising the Representative to act at law whether as plaintiff or defendant.

The General Meeting may also consider any proposal relating to modification of the Terms, including any proposal for arbitration or settlement, relating to rights that are in dispute or the subject of judicial decision; the General Meeting may not, however, increase the obligations of the Noteholders or breach in any manner the principle of equality between Noteholders.

General Meetings may only deliberate validly on first convocation if the Noteholders present or represented hold at least one fifth of the nominal amount of Notes then outstanding. On second convocation no quorum is required. Decisions at General Meetings shall be valid if taken by a majority of two thirds (2/3) of the votes cast by the Noteholders present or represented at such meeting.

Resolutions adopted by General Meetings shall be published in accordance with the provisions of Condition 14.

(vi) Information for Noteholders

Each Noteholder or its representative shall have the right, throughout the fifteen (15) calendar day period preceding the holding of each General Meeting, to consult or make copies of the text of the resolutions to be proposed and of the reports to be presented at the General Meeting. Such documents will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of such meeting.

(vii) Expenses

The Issuer shall pay, upon presentation of the appropriate supporting documents, all expenses incurred in connection with the conduct of the affairs of the *Masse*, including all expenses relating to notices and the holding of General Meetings and, more generally, all administrative expenses voted by the Noteholders' General Meeting, provided however that no expenses may be imputed against any interest payable on the Notes.

(viii) *Single Masse*

The Noteholders of the same Series, (including Noteholders of any other Tranche consolidated in accordance with Condition 13) and the holders of the Notes of any series that have been consolidated with another Series in accordance with Condition 1.4, shall be grouped together for the defence of their common interests into a single *Masse*. The Representative appointed for the first Tranche of a Series of Notes shall be the Representative of the single *Masse* of the Series.

For the avoidance of doubt in this Condition 11, the term "outstanding" shall not include the Notes purchased by the Issuer pursuant to Article L. 213-1 A of the French *Code de commerce*, which are held by it and not cancelled.

## **12. REPLACEMENT OF PHYSICAL NOTES, RECEIPTS, COUPONS AND TALONS**

In the case of Materialised Notes, any Physical Note, Receipt, Coupon or Talon that has been lost, stolen, defaced or destroyed in whole or in part, may be replaced, in compliance with applicable laws and stock market rules and regulations at the offices of the Fiscal Agent or any other Paying Agent, if any, appointed by the Issuer for such purpose and whose appointment shall be notified to the Noteholders. Such replacement shall be made against payment by the claimant of any fees and expenses incurred in connection therewith and subject to such terms as to proof, security or indemnity (which may provide, inter alia, that in the event that the Physical Note, Receipt, Coupon or Talon allegedly lost, stolen or destroyed is subsequently presented for payment or, as the case may be, for exchange for further Coupons, the Issuer shall be paid, at its request, the amount payable by the Issuer in respect of such Physical Notes, Coupons or further Coupons). Partially destroyed or defaced Materialised Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. FUNGIBLE ISSUES**

The Issuer shall be entitled, without the consent of the holders of any Notes, Receipts or Coupons, to create and issue further notes to be consolidated with the already issued Notes to form a single Series, provided that such already issued Notes and the further notes confer on their holders rights that are identical in all respects (or identical in all respects other than the issue date, Issue Price and the amount of the first interest payment) and that the terms of such Notes provide for consolidation. References to "Notes" in these Terms shall be interpreted accordingly.

## **14. NOTICES**

- 14.1 Notices addressed by the Issuer to the holders of Dematerialised Notes in registered form shall be valid either (a) if they are posted to their respective addresses, in which case they shall be deemed to have been delivered on the fourth Business Day after posting or (b) at the option of the Issuer, if they are published in one of the leading economic and financial daily newspapers with general circulation in Europe (which is expected to be the *Financial Times*). So long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall not be deemed to be valid unless published on the website of any relevant regulatory authority, in an

economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.

- 14.2 Notices addressed to Noteholders of Materialised Notes and Dematerialised Notes in bearer form shall be valid if published in a leading economic and financial daily newspaper with general circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall also be published in an economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.
- 14.3 If any such publication is not practicable, the notice shall be validly given if published in a leading economic and financial newspaper with general circulation in Europe, provided however that, so long as the Notes are admitted to trading on any regulated market, notices must be published in any other manner required, as the case may be, under the applicable rules of such regulated market. Noteholders shall be deemed to have had notice of the contents of any notice on the date of publication, or if the notice was published more than once or on different dates, on the date of the first publication as described above. Couponholders shall be deemed, in all circumstances, to have had notice of the contents of any notice addressed to Noteholders of Materialised Notes in accordance with this Condition.
- 14.4 Notices addressed to holders of Dematerialised Notes (whether in registered or bearer form) in accordance with these Terms may be delivered to Euroclear France, Euroclear, Clearstream, Luxembourg or any other clearing system through which the Notes are then cleared, instead of posting or publishing the notice as provided in Conditions 14.1, 14.2 and 14.3 above, provided however that so long as the Notes are admitted to trading on any regulated market and the applicable rules of such market so require, notices shall also be published in an economic and financial daily newspaper with general circulation in the city(ies) in which the Notes are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos* and in any other manner required, as the case may be, under the applicable rules of such market.

## **15. GOVERNING LAW, LANGUAGE AND JURISDICTION**

### **15.1 Governing law**

The Notes, Receipts, Coupons and Talons are governed by and shall be interpreted in accordance with French law.

### **15.2 Jurisdiction**

Any claims against the Issuer relating to the Notes, Receipts, Coupons or Talons shall be brought before the competent courts of the jurisdiction of the Lyon Court of Appeal

## **16. LANGUAGE**

This Base Prospectus has been drafted in French and English, only the French version approved by the AMF may be relied upon as the authentic and binding version.

## TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF MATERIALISED NOTES

### 1. TEMPORARY GLOBAL CERTIFICATES

A Temporary Global Certificate in respect of Materialised Notes, without interest coupons, will initially be issued (a **Temporary Global Certificate**) for each Tranche of Materialised Notes, and shall be deposited at the latest by the issue date of such Tranche with a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**), and Clearstream banking, société anonyme (**Clearstream, Luxembourg**). Following deposit of such Temporary Global Certificate with a Common Depository, Euroclear or Clearstream, Luxembourg shall credit each subscriber with an amount in principal of Notes equal to the nominal amount so subscribed and paid for.

The Common Depository may also credit the accounts of subscribers of a nominal amount of Notes (if so specified in the applicable Final Terms) with other clearing systems through accounts held directly or indirectly by such other clearing systems with Euroclear and Clearstream, Luxembourg. Conversely, a nominal amount of Notes initially deposited with any other clearing system may, in the same manner, be credited to the accounts of subscribers held with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2. EXCHANGE

Each Temporary Global Certificate in respect of Materialised Notes shall be exchangeable, free of charge to the bearer, at the earliest on the Exchange Date (as defined below):

- (a) if the relevant Final Terms specify that the Temporary Global Certificate is issued in compliance with the TEFRA C Rules or in a transaction to which the TEFRA rules do not apply (see section "Summary of the Programme – Selling Restrictions"), in whole but not in part, for Physical Notes; and
- (b) in all other cases, in whole but not in part, after certification, to the extent required under section § 1.163-5(c)(2)(i)(D)(4)(ii) of the U.S. Treasury regulations, that the Notes are not held by U.S. persons, for Physical Notes.

### 3. DELIVERY OF PHYSICAL NOTES

On or after the Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. The Issuer shall, in exchange for any Temporary Global Certificate, deliver or procure the delivery of an equal aggregate nominal amount of duly signed and authenticated Physical Notes. For the purposes of this Base Prospectus, **Physical Notes** means, in respect of a Temporary Global Certificate, the Physical Notes for which the Temporary Global Certificate may be exchanged (having, if appropriate, attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Physical Notes will be security printed in accordance with any applicable legal and stock exchange requirements.

**Exchange Date** means, in relation to a Temporary Global Certificate, the day falling no earlier than 40 calendar days after its issue date, provided however that, in the case of a further issue of Materialised Notes, to be consolidated with such previously mentioned Materialised Notes, issued prior to such day in accordance with Condition 13, the Exchange Date may, at the option of the Issuer, be postponed until a date falling at least 40 calendar days after the issue date of such further Materialised Notes.



In the case of Materialised Notes with a minimum maturity of more than 365 days (to which the TEFRA C Rules do not apply), the Temporary Global Certificate must include the following legend:

**ANY UNITED STATES PERSON (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986) WHO HOLDS THIS NOTE WILL BE SUBJECT TO RESTRICTIONS UNDER UNITED STATES FEDERAL INCOME TAX LAWS, INCLUDING THOSE PROVIDED UNDER SECTIONS 165(J) AND 1287(A) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED.**

## **USE OF PROCEEDS**

The net proceeds of the issue of Notes are intended to finance the Issuer's activities in accordance with its general corporate purposes. More specifically, the proceeds of the Issue of Notes will be used, firstly, to grant loans to Members in the context of the lending policy as well as to gradually establish liquidity reserves in accordance with regulatory obligations and good management practices.

If, in relation to a Series of Notes, a specific use for the proceeds, or a use other than that stipulated above, is intended, this will be stated in the relevant Final Terms.

## DESCRIPTION OF THE ISSUER

### 1. INFORMATION ABOUT THE ISSUER

#### 1.1 History and Development of the Issuer

(a) Company name and trade name

The Issuer's company name is "Agence France Locale," as adopted by the Issuer's shareholders' general meeting on 24 June 2014. It was formerly called "Agence France Locale – Operating Company."

(b) Place of registration and registration number

The Issuer is registered with the Lyon Trade and Companies Register under no. 799 055 629.

(c) Issuer's date of incorporation and term

The Issuer was incorporated on 17 December 2013 as a French limited liability (*société anonyme*) company governed by an Executive Board and a Supervisory Board.

The Issuer was created in the wake of adoption of the French law no.°2013-672 of 26 July 2013 related to the separation and regulation of banking activities (hereinafter the **Law of 26 July 2013**). Article 35 of this Law (subsequently codified in Article L. 1611-3-2 of the French CGCT (General Local Authorities Code)) expressly stipulates that French local authorities may create a public company in the form of a limited liability company (*société anonyme*) governed by Book II of the French Commercial Code (*Code de commerce*), whose purpose is to contribute to their funding through a dedicated subsidiary company.

Article L. 1611-3-2 of the CGCT provides:

*"Local authorities and tax-raising public establishments for inter-municipal cooperation (EPCIs à fiscalité propre) can create a limited liability company (société anonyme) governed by Book II of the French Commercial Code in which they hold 100% of the share capital and whose purpose is to contribute to their funding through a dedicated subsidiary company. This company and its subsidiary shall perform their activities exclusively on behalf of the local authority members and public establishments for inter-municipal cooperation. 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 French State or resources guaranteed by the French 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 and tax-raising public establishments for inter-municipal cooperation (EPCIs à fiscalité propre) 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."*

In accordance with the aforementioned provisions, ST holds practically all of the Issuer's share capital and voting rights. Further information about ST is provided in paragraph 4

"Description of ST" of the section "Description of Guarantors and the guarantee mechanism" herein.

The Issuer's term is 99 years as from the date of its registration with the Companies and Trade Register, i.e., until 23 December 2112, unless such term is extended or the Issuer is dissolved prior to this date.

(d) General information

(i) Registered office

The Issuer's registered office address, telephone and fax numbers and website are as follows:

Agence France Locale  
Tour Oxygène, 10-12 boulevard Vivier Merle, Lyon, France  
Tel.: +33 (0)4 81 11 29 33  
Fax: +33 (0)4 81 11 29 20  
Website: [www.agence-france-locale.fr](http://www.agence-france-locale.fr)  
E-mail: [thiebaut.julin@agence-france-locale.fr](mailto:thiebaut.julin@agence-france-locale.fr)

(ii) Legal form

This issuer is a French limited liability company (*société anonyme*) with an Executive Board and Supervisory Board governed by the provisions of the French Commercial Code.

(iii) Applicable legislation

Subject to the legal and regulatory provisions related to credit institutions, particularly the applicable articles of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer is governed by commercial law, principally by Articles L. 210-1 *et seq.* of the French Commercial Code, as well as its articles of association (*statuts*).

The Issuer is a licensed specialised credit institution that is authorised to carry out lending activities and collect repayable funds from the public.

It is therefore subject to an extensive number of prudential requirements and is regulated by the French prudential supervisory authority (ACPR). Section 12.3 herein contains a description of the main prudential ratios with which the Issuer must comply.

Moreover, Article L. 1611-3-2 of the CGCT imposes restrictions as to its business operations.

(e) Recent events specific to the Issuer that may impact its solvency

Apart from the loans taken out to finance the Agence France Locale Group's set-up and launch of its operations, the Issuer has carried out all the necessary measures with Moody's to obtain a credit rating.

On 29 January 2015, the Issuer was assigned a rating of Aa2 by Moody's France SAS (**Moody's**), with a negative outlook.

The Programme was assigned a rating of Aa2 by Moody's on 6 March 2015.

## 1.2 Investments

### (a) Past investments

This Issuer does not intend to carry out significant capital expenditures given its operational organisation and structure.

By way of example, €30.2 million has been invested since the Issuer's incorporation date as follows:

- €17 million invested in Unédic's bond issuance maturing in 2024,
- €10 million invested in Agence Française de Développement's bond issuance maturing in 2026,
- €3.2 million invested in OAT fungible Treasury bonds maturing in 2026;
- €5.6 million invested in EIB's bond issuances maturing in 2016.

### (b) Ongoing investments

As of the date hereof, the Investor has not entered into any investment transactions.

### (c) Future investments

The Issuer will continue to invest the proceeds from the future capital increases in accordance with its investment policy, which is described in section 12.1 herein.

## 2. BUSINESS OVERVIEW

### 2.1 Activities authorised pursuant to the banking license from ACPR

Pursuant to its authorisation as a specialised credit institution granted by the ACPR on December 22, 2014, the Issuer may carry out lending activities and collect repayable funds from the public. In accordance with Article L. 1611-3-2 of the CGCT, the Issuer may only conduct lending activities for the Local Authorities that are Members. This is why the authorisation granted by the ACPR provides that the Issuer's mandate is to "grant funding to French local authorities."

#### Issuer's business

### (a) Lending activity

In accordance with the provisions of Article L. 1611-3-2 of the CGCT, the Issuer's main activity is extending loans to Members to help them financing a portion of their investment budgets.

For the most part, the Issuer will offer:

- medium- and long-term funding as from the onset of operations; and
- short-term funding possibly at a future date.

Some of the information presented above may nevertheless be subject to change in relation to the Members' funding needs and requests.

The Issuer does not intend to:

- act as a counterparty on behalf of the Members in connection with financial futures transactions;
  - distribute structured products inseparably combining straight-forward financing with rates calculation options;
  - carry out other transactions related to its authorisation.
- (b) Collecting repayable funds from the public by offering debt securities to the public

The Issuer also expects to collect repayable funds from the public through debt security issues made to the public in accordance with the provisions of Article R. 312-18 of the French Financial and Monetary Code (*Code monétaire et financier*) on the issuance of debt securities equivalent to collecting repayable funds from the public.

## 2.2 Market

### (a) Background

In accordance with the provisions of Article L. 1611-3-2 of the CGCT, the Local Authorities represent the Issuer's sole target market. This potential market amounts to a total of 38,826 local and regional authorities and public establishments for inter-municipal cooperation (EPCIs)<sup>6</sup>, a significant number of which however do not use credit.

As at 1 January 2014, there were 36,681 municipalities, 101 departments (*départements*), 25 regions and one special-status local authority<sup>7</sup>.

More than 97% of the municipalities have fewer than 10,000 inhabitants<sup>8</sup>.

Out of the 36,681 municipalities, 36,614 belong to a tax-raising inter-communal cooperation public entity (the *Groupings*) and as of 1 January 2014 included:

- 222 conurbations;
- 1,903 joint municipalities; and
- 4 new urban planning syndicates.

This mapping of the Local Authorities is set to change in upcoming years.

Following the entry into force on 1 January 2015 of certain provisions of French law 2014-58 of 27 January 2014 relating to the modernisation of the territorial public action and affirmation of metropolitan areas ( **MAPTAM law**), which set out to streamline the terms

<sup>6</sup> Source: The Statistics Newsletter of the General Directorate of the Local Authorities (DGCL), no. 98, January 2014.  
<sup>7</sup> i.e., Corsica.

<sup>8</sup> Source: General Directorate of the Local Authorities (Ministry of the Interior), *Local municipalities in numbers 2014*.

under which local action<sup>9</sup> or initiatives was taken, the number of metropolitan areas was increased to ten and the number of urban authorities (*communautés urbaines*) scaled back to seven.

A detailed presentation of the Local Authorities by type and size is provided in section 5 of "Description of the Guarantors and the Guarantee Mechanism" in this Base Prospectus.

(b) Local Authorities' financial position

The Local Authorities' risk profile is generally limited as they are required to establish balanced budgets under the supervision of the relevant representative of the State (*Préfet*) within the *département* and financial courts (regional accounting offices).

In its report on local public financing published in October 2013<sup>10</sup>, the French Court of Auditors (*Cour des comptes*) emphasised that the 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 codified in Article L.1612-4 of the CGCT.

The Local Authorities' key budget guidelines are described in section 5.2 of "Description of the Guarantors and the Guarantee Mechanism" in this Base Prospectus.

Moreover, Standard & Poor's<sup>11</sup> noted in its report dated March 5, 2014<sup>12</sup> that the French local government sector has a solid credit rating and emphasises that the ratings of the French Authorities are higher than those of the local public sector of other European States, since they are rated "AA".

The Local Authorities' deficit in 2012 amounted to €3.1 billion<sup>13</sup> (0.15 GDP point), which under French accounting principles corresponds to the financing needs arising from the difference between (i) all expenditures excluding the reimbursement of loans and (ii) all revenues excluding new loans. The reform of local tax laws and the cutback on government grants have tended to amplify the differences in the financial situations across various Local Authorities.

The table below sets forth the Local Authorities' indebtedness for 2013<sup>14</sup>:

<sup>9</sup> By encouraging consolidation of inter municipalities, introducing a territorial governance based notably on lowering the threshold from 450,000 to 250,00 inhabitants to establish authorities.

<sup>10</sup> Source: Cour des Comptes, Les finances publiques locales (National Audit Office, Local government finances), public report, October 2013, p.253

<sup>11</sup> Standard & Poor's rated twenty-eight Local Authorities in 2014.

<sup>12</sup> Source: Standard & Poor's, "French LRGs' Stable New Borrowings Mask Rising Pressure On Public Finances" 5 March 2014, p. 30.

<sup>13</sup> Source: Cour des Comptes, Les finances publiques locales (National Audit Office, Local government finances), public report, October 2013

<sup>14</sup> Source: Observatoire des Finances Locales, "Les finances des collectivités locales en 2013 - État des lieux" ("The finances of the local authorities - an in-depth review"), 16 July 2014, p. 30: <http://www.collectivites-locales.gouv.fr/finances-des-collectivites-locales-2014>.

	Municipalities		Departments		Regions		Total	
	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12
Interest rate on the debt	3.0	+0.9%	0.9	(2.0)%	0.6	+1.9%	4.5	+0.4%
Debt repayments	7.9	+3.6%	2.9	(17.9)%	2.1	+4.3%	12.8	(2.0)%
New loans	9.9	(6.9)%	3.8	(8.8)%	3.1	0.3%	16.8	(6.1)%
Debt as at 31/12*	84.7	2.5%	32.2	3.6%	20.1	5.3%	137.0	3.2%
Debt as at 31/12/ operating revenue	81.2%		49.7%		88.0%		71.4%	
Annual debt payments / operating revenue	10.4%		5.9%		11.8%		9.0%	

Source: General Directorate of Public Finance (*Direction générale des Finances publiques*)

Two types of resources are available to Local Authorities to meet their financing needs:

- "definitive" resources (mostly tax revenues and government grants); and
- "temporary" resources that are to be paid back (loans).

While the "definitive" resources have remained stable over the past ten years, the cutback in government grants (cutbacks of €1.5 billion and €3.67 billion have already been made in 2014 and 2015, respectively, and an overall plan to curtail €11 billion between 2015 and 2017) will hinder their development.

(c) The Local Authorities' financing needs and borrowing

The Local Authorities' financing needs amounted to €16.8 billion<sup>15</sup> in 2013.

This financing need is very much dependent on the economic environment and the Local Authorities' level of investment.

### 2.3 The Issuer's competitive position

The main players on the market of financing to Local Authorities are as follows:

- the Société de Financement Local (the *SFIL*), a new structure created in connection with Dexia's resolution plan, whose shareholders are the French State, the Banque Postale, and the Caisse des dépôts et consignations (the *CDC*);
- traditional commercial banks including Caisse d'Épargne, Crédit Agricole and Crédit Mutuel; and
- the CDC and the European Investment Bank (*EIB*).

In addition, some Local Authorities use disintermediated financing through debt issuances on the capital markets. By way of example, disintermediated financing amounted to €2.3 billion out the €16.8 billion borrowed by Local Authorities in 2013, representing approximately 14% of this financing. This amount corresponds to 74 various issuances made by the Local Authorities.

The Issuer is aiming to position itself on the market in a sustainable manner over the long term using a four-pronged strategy to fund Local Authorities, based on a similar model in Scandinavian countries<sup>16</sup>.

<sup>15</sup> Source: 2013 Report of Observatoire des Finances Locales, "The finances of local authorities in 2013," Financial statements.



- offering an alternative financing option using "plain vanilla" fixed-rate and floating rate instruments;
- optimising the raising of the funds on the markets that are necessary to operate its business by obtaining the best possible credit rating, underpinned by the dual guarantee offered by ST and the Members in accordance with the description set out in the section entitled "Description of the Guarantors and the Guarantee Mechanism" in this Base Prospectus;
- providing access to financing for its Members to every possible extent and even during a financial crisis; and
- offering investors investment instruments that offer direct exposure to the local government sector risk unlike securitisation structures (including mortgage bonds issued by mortgage lending companies) which expose them first and foremost to a banking risk.

Using these guidelines, the Issuer should be able to bring a much needed diversification to the market, which it is lacking despite there being several lenders.

The Issuer intends to limit itself over the course of time to a 25% market share in financing to the Local Authorities. This estimated market share also reflects the additional liquidity and the diversified sources of financing that the Issuer will bring to the Local Authorities' loan market. The offer's appeal will be grounded on simple and secured products with a short turnaround in confirming and granting the loan, primarily using a virtual or "paperless" process and the Issuer's streamlined and geographically-concentrated team.

## 2.4 Loan policy

- (a) The grant of loans is exclusively reserved for Members of the Agence France Locale Group.

The grant of funding to Members is governed as follows:

- Membership is a precondition to being granted a loan from the Issuer, but does not in of itself confer the right to a loan.
- The grant of funding by the Issuer to the Members shall be contingent upon the analysis of their financial position and particularly their solvency, which will be analysed on the basis of objective indicators defined by the Executive Board in reference to a method approved by the Supervisory Board under the aegis of the Issuer's Audit Committee on internal control and risks.
- The margins applied to such funding will depend primarily on the objective indicators.
- In any case, the extension of funding by the Issuer shall be contingent upon being a Member, excluding any sleeping member (*Sleeping Member*) (Member which has lost the possibility to take out any loans with the Issuer or to use its financial services due to its credit rating being downgraded due to a score higher than 5.9 on a scale of 1 to 7), and issuing a Guarantee in compliance with the Model Guarantee for the amount of loan.

- (b) The grant of loans is contingent upon the outcome of the credit analysis.

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<sup>16</sup>

Similar agencies in Scandinavian countries: Kommuninvest (Sweden) and Munifin (Finland).

Each Member's credit situation is analysed prior to granting a loan.

This analysis is based on quantitative rating based on both financial and socio-economic indicators. This quantitative rating comprising two scores is applied to each loan request and makes it possible to obtain a systematic rating.

Additionally a qualitative analysis is conducted when the risk profile or the amount requested exceeds a threshold.

All Members follow the same loan request procedure.

(i) Quantitative Analysis

The financial and socio-economic rating procedures apply across the board to all the Members so as to have a uniform set of rating indicators regardless of the type of local authority.

**Financial rating**

- The financial rating system conducted prior to the grant of a loan by the Issuer is the same one used at the time of membership.
- The financial rating system scores the Member on a continuous scale of 1 to 7 with 1 being the highest possible score and 7 the lowest possible score.
- The retained financial ratios are calculated by consolidating the financial data of the main and ancillary budgets.

The scoring method to evaluate the Members' financial soundness is based on the following three financial indicators:

- solvency
- indebtedness; and
- budgetary margins

These three indicators are weighted in relation to their importance and are smoothed over in order to avoid any significant variations in the Member's last fiscal year.

The calculation of these indicators is based on the financial data as published by the Public Finance Ministry - General Directorate of Public Finance.

**Socio-economic rating**

In order to obtain a systematic rating, a socio-economic rating is systematically made in addition to the financial rating. The socio-economic rating is represented by applying a bonus/malus to obtain the financial rating.

The socio-economic rating is broken down as follows:

- Analysis of the structure of the financial rating

- Analysis of the Member's socio-economic features: comparison of local rates of unemployment, average revenue per household and the income from the companies' added value contribution (*Contribution sur la Valeur Ajoutée des Entreprises (CVAE)*) per inhabitant and compared to the national average.

(ii) Qualitative analysis

In addition to the quantitative analysis, the Issuer has also introduced a qualitative analysis procedure (systematic rating).

For Members that are required to undergo a qualitative analysis in addition to the financial and socio-economic ratings, they may be required to provide additional information for such analysis. Depending on their size or type, the information required to conduct such analysis may vary case by case. This analysis could focus on information such as a three-to-five year financial outlook, an analysis on the soundness of the financial management (transparency, budgetary planning, etc.), the level and type of off-balance sheet commitments, etc.

All of the recommendations for the grant of a loan are submitted to the Credit Committee for approval. The mechanism described above will be used to manage the Member's counterparty risk (especially the cap on their borrowing capacity) and will be regularly reviewed.

(c) A loan grant that is capped and indexed on the Member's creditworthiness

Subject to complying with the major risk ratios\*<sup>17</sup>, the Issuer has not set any funding cap in terms of absolute value.

As its aim is to diversify the sources of financing available to Local Authorities, the Issuer has decided not to loan more than 50% of the annual borrowings contracted by each Member.

The calculation is based on the annual budget voted on by the Member. This annual budget is understood on a consolidated basis including the borrowing requirements from the main budget and from the ancillary budgets, where necessary.

This percentage is a maximum upper cap; however, it may be assessed on a rolling basis over three financial years. The Issuer does reserve itself the possibility of increasing this cap to 100% for Members that take out loans on a very infrequent basis and whose borrowings are less than €1 million. This maximum cap on annual borrowings with the Issuer will be adjusted in light of the relevant Local Authority's score. A Member is eligible to receive credit if it is rated between 1 and 6 on a scale of 1 (highest score) to 7 (lowest score). The extension of a loan is strictly impossible for any Member with a score higher than 6.

(d) Margin on granted loans

The Issuer expects to apply a margin on the granted loans in order to generate a return on equity and cover its operating costs.

<sup>17</sup> Each weighted exposure greater than or equal to 10% of equity, with regard to the same credit beneficiary, is subject to a detailed reporting requirement to the ACPR (*Autorité de Contrôle Prudentiel et de Résolution*). Current regulation adds a requirement to comply, on an ongoing basis, with a maximum ratio of 25% between all of the net weighted risks and equity for the same beneficiary.

(e) Distribution of clients

In terms of consistency and risk management, the Issuer endeavours to ensure that its client portfolio is evenly distributed among the various types of Authorities and among the different risk categories (average level of target portfolio less than 4.5).

The Issuer also undertakes to comply with the major risk ratio by verifying that the counterparties in its portfolio are diversified.

Finally, the Issuer, in adjusting the level of the margins with respect to the Members' rating, will ensure the highest-rated Members will find a financial incentive in borrowing from the Issuer (bearing in mind that its business model is built on low operating expenses). In taking out loans, these highest-rated Members help back the solidity of the guarantee mechanism described in the section "Description of the Guarantors and the Guarantee Mechanism" in this Base Prospectus.

(f) Distribution channel and client relationship

The Issuer and ST work together on public relation matters and initiatives. With the backing of national associations of elected representatives, ST seeks to expand the membership base by providing information to the Local Authorities on the Issuer's purpose, the business concept and the advantages that it offers compared to other sources of funding.

This is why the Issuer has decided not to have a sales agency in each region. It has a streamlined sales team and all of its employees are headquartered in Lyon, France.

Loan requests are being made initially via its call centre and email platform, which in the future may be made through a dedicated Agence France Locale Group website. Compared to other market players, the Agence France Locale Group will be able to operate with a small staff using this website portal, a full-fledged on-line bank for Members.

## 2.5 Financing policy

In addition to the Notes that will be issued under the Programme, the Issuer may also have recourse to bond markets through public and private issuances on a stand-alone basis. The Issuer also reserves the right to use financing from the European Investment Bank resources available exclusively for the public sector.

Such sources of finance have not at this stage been included in the Issuer's business plan.

The Issuer may also have recourse to other sources of finance such as *Schuldschein*-type loans which are issued by German investors, if such arrangements would allow it to access more favourable financing conditions than those resulting from issues under the Programme.

## 3. ORGANISATIONAL CHART AND SHAREHOLDER DEPENDENCY

### 3.1 Organisational chart

Agence France Locale Group's organisational chart is as follows:

### Presentation of shareholder structure

ST holds almost all of the Issuer's share capital and voting rights (99.99%) and the remaining 10 shares have been distributed among the ten founding Members of ST (the **Founding Members**) to comply with requirements set forth in Article L. 225-1 of the French Commercial Code stipulating that a French limited liability company (*société anonyme*) must have at least seven partners.

The Founding Members' percentage in the Issuer's share capital and voting rights is therefore expected to decrease in proportion to the increase in the Issuer's equity due to the fact that new Members will join at the ST level.

ST's shareholder base is exclusively comprised of Local Authorities, which have obtained the required internal authorizations from their relevant governance boards and whose financial position makes eligible to become Members of the Agence France Locale Group.

The number of ST shareholders is expected to increase in lock step with the Agence France Locale Group's expansion to the extent where, in accordance with the provisions Article L. 1611-3-2 of the CGCT, the Issuer may only grant loans to Members. This increase in the number of shareholders will lead to a correlative drop in each Member's relative weighting in ST's share capital and, therefore, there will be no controlling shareholders.

Moreover, no specific right accrues to the Founding Members with respect to either the Issuer or ST other than the right to be represented on ST's Board of Directors for the first three financial years following its incorporation.

The Founding Members that will no longer have a seat on the Board of Directors in the future will be able to appoint a Board observer.

### Presentation of contractual framework

To govern its operations and, in particular, ensure the stability and the continuity of its shareholder base which contributes both the equity and guarantees needed to accomplish its corporate mandate, the Agence France Locale Group has adopted a specific contractual framework comprising the following documents:

- ST's articles of association essentially made up of ST's governance rules, certain terms for acquiring a stake in its share capital and disposing of shares, as well as certain principles related to the implemented guarantee mechanism, set forth in the section "Description of the Guarantors and the Guarantee Mechanism" in this Base Prospectus;
- The Issuer's articles of association primarily composed of the Issuer's governance rules as well as certain principles related to the aforementioned guarantee mechanism;
- The shareholders' agreement (the **Shareholders' Agreement**) between ST, the Issuer, each Founding Member and to which every new member of the Agence France Locale Group is expected to become a party primarily addresses (i) entry rules to the Agence France Locale Group, (ii) principles related to the evolution of share capital and the entities comprised in the Agence France Locale Group and (iii) certain terms and conditions in implementing the aforementioned guarantee mechanism.

## Presentation of the mechanisms guaranteeing shareholder stability in the Agence France Locale Group

With a view of ensuring genuine stability of the shareholder base at the Issuer's level, the Founding Members have agreed not to sell any shares unless instructed by ST. Under the Shareholders' Agreement, ST also has pre-emptive right on any planned disposal of shares by any of the Founding Members.

The Shareholders' Agreement makes further provision for:

- an ST shareholder commitment not to sell their shares until the tenth (10th) anniversary of the full payment of their capital contribution;
- rules making it possible to oversee the effects of any transfer of competency between Local Authorities, whether it relates to a merger or removal of Local Authorities or the creation of an EPCI; and
- procedures ensuring a balanced distribution among the Members of any guarantee calls that are not legally binding on the beneficiaries of such guarantees.

### **3.2 Interdependence with ST**

#### (a) Structural Dependence

The Issuer has a structurally dependent relationship with ST. ST holds almost all of the Issuer's share capital and therefore has authority in approving on its own any decision to be made by the Issuer's shareholders at their general meetings that does not need to be voted in unanimously. This gives it the advantage of having the authority to appoint representatives to the Agence France Locale Group's governance boards, either directly or indirectly, depending on the relevant board.

Such is the case for the Issuer's Supervisory Board which is in charge of the permanent control of the Issuer's management and assesses the effectiveness of its management on behalf of ST and the Members. Although the membership of this board was designed to guarantee its independence *vis-à-vis* the Members, a dependence in relation to ST does indeed exist, particularly with respect to the fact that the final appointment of the members of the Issuer's Supervisory Board falls within the remit of the Issuer's shareholders voting on a simple majority, otherwise stated ST's Chief Executive Officer.

ST may also indirectly influence the appointment of the members and the Chairman of its Executive Board, who is vested with the broadest powers to act on behalf of the Issuer, to the extent that such appointment falls within the scope of the Supervisory Board's powers.

#### (b) Intellectual property dependence

ST is the owner of Agence France Locale's word and figurative trademarks filed with the National Institute of Intellectual Property (*Institut National de la Propriété Intellectuelle*) under numbers 13 4 020 012, 14 4 084 494 and 14 4 084 489.

ST has authorised the unlimited use of these logos to the Issuer under a one-year automatically renewable license agreement.

#### 4. TREND INFORMATION

The Issuer has identified certain changes that could impact its business and are set forth below.

The table below sets forth a comparison of the changes in the French local authorities' indebtedness between 2013 and 2012<sup>18</sup>:

	Municipal sector		Grouping of municipalities with powers of taxation		Departments		Regions		Total	
	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12	Amount in € billion	Change 13/12
<b>Interest rate on the debt</b>	3.0	+0.9%	0.9	-2.0%	0.6	+1.9%	<b>4.5</b>	<b>+0.4%</b>	3.0	+0.9%
<b>Debt repayments</b>	7.9	+3.6%	2.9	-17.9%	2.1	+4.3%	<b>12.8</b>	<b>-2.0%</b>	7.9	+3.6%
<b>New loans</b>	9.9	-6.9%	3.8	-8.8%	3.1	+0.3%	<b>16.8</b>	<b>-6.1%</b>	9.9	-6.9%
<b>Debt as at 31/12*</b>	84.7	+2.5%	32.2	+3.6%	20.1	+5.3%	<b>137.0</b>	<b>+3.2%</b>	84.7	+2.5%
<b>Debt as at 31/12/ operating revenue</b>	81.2%		49.7%		88.0%		<b>71.4%</b>			
<b>Annual debt payments / operating revenue</b>	10.4%		5.9%		11.8%		<b>9.0%</b>			

\*Debt recorded in the main budgets.

Due to the fall in the loan market for Local Authorities in 2013 which reached €16.87 billion compared with €17.9 billion in 2012<sup>19</sup>, the Issuer has begun to anticipate a continuing downward trend in the volume of Local Authorities' funding needs as a consequence of the cutback in government grants. This situation has been taken into account in its main scenario set out in the next section. Indeed the drop in Local Authorities' operating revenues could trigger a decrease in investment expenditure.

Several phenomena have made it difficult since 2008 for the Local Authorities to contract loans, in particular tighter requirements from the banks have led to higher rates and more stringent credit standards. Small-sized Local Authorities (fewer than 2,000 inhabitants) have been impacted the most by these conditions added to which for some Local Authorities are the consequences of past recourse to financial products that have affected their financial situation and by extension, their capacity to borrow. To better take this situation into account, the Issuer's loan policy includes some analysis of the structure of Local Authorities' debt.

Alternative solutions to recourse to bank debt are not suited to small-sized Local Authorities:

- the bond market is ill-suited as it is difficult for them to integrate into their debt management bullet loan payments and requisite minimum issuance ceilings to ensure visibility, obtain more attractive and competitive rates and absorb the associated costs; and
- securitised mutual funds, which have emerged since 2011, offer another alternative reserved for large-sized municipalities, one of the eligibility requirements being the amount of debt<sup>20</sup>.

The Issuer was not created specifically for a certain type of Local Authorities and while the majority of the Members are, as of the date hereof, large-sized Local Authorities (such as *Grand Lyon* or *région Pays de Loire*), it still must be able to provide its services to the entire sector, including small-sized Local Authorities.

<sup>18</sup> Source: Observatoire des Finances Locales, "Les finances des collectivités locales en 2014" ("The finances of the local authorities in 2014"), July 2014, p. 41.

<sup>19</sup> Source: 2013 DGCL Report "2013 Local authorities' key figures."

<sup>20</sup> Example: <http://www.decideursenregion.fr/National/Financer-Pour-innover/secteur-public/gestion-organisation/Une-solution-innovante-pour-financer-les-collectivites-le-Fonds-commun-de-titrisation>.

## 4.1 Local authorities' involvement in the decrease in government spending

### (a) Presentation of the government proposal

A cost-reduction plan of approximately €50 billion is currently being reviewed as part of the 2015-2017 government finance policy, which is being finalised by the French government. The savings of €50 billion by 2017 are expected to come from the French government and its institutions (€18 billion), French local authorities (€11 billion) and the social welfare and healthcare insurance (€21 billion).

With respect to the local government sector, the legislator has started to implement this proposal by cutting back on €3.67 billion in the global operating grant (*Dotation Globale de Fonctionnement, DGF*) pursuant to the 2015 Financial Law no. 2014-1654 of 29 December 2014. The government's proposal also entails an additional cutback in the DGF of €3 billion per year in 2016 and 2017.

Compared to 2013, the cutback in the DGF would therefore equal negative €11 billion at end-2017. Moving ahead with this proposal would shrink the DGF to less than €30 billion in 2017 (compared to €40.5 billion in 2013).

### (b) Analysis of potential impacts for the Local Authorities and the Issuer

The grants paid out by the French state constitute operating revenues. Without predicting a future drop in Local Authorities' operating expenditures, the short-term consequence of this decision would be an automatic decrease in the self-financing capacity of the Local Authorities.

Confronted with this expected downtrend in the Local Authorities' self-financing capacity, two scenarios are possible:

- A rapid decrease in capital expenditure and in borrowing as observed during 2013, the most likely scenario, corresponding to an adverse scenario in which the Issuer envisages that borrowing would be reduced to €10 billion per year (€16-€18 billion in 2012 and 2013); or
- sustained capital expenditure and increased borrowing: the Issuer will be extra cautious in reviewing the fluctuations in the credit rating of the Local Authorities who use this approach when they are presented to the Credit Committee.

## 4.2 Territorial reform

### (a) Presentation of the reform

The reform is broken out into three laws:

- **The MAPTAM law:** ten metropolitan areas by right (Toulouse, Lille, Nantes, Strasbourg, Rennes, Rouen, Grenoble, Montpellier and Brest) as well as the Métropole de Lyon<sup>21</sup> were established with effect on 1 January 2015, replacing the pre-existing urban authorities. The Aix-Marseille and Grand Paris metropolitan areas will come into effect on 1 January 2016.

<sup>21</sup> Exception made for the metropolitan area of Grand Lyon which is a special-status local authority.



This law automatically converted into metropolitan areas the inter-municipalities of more than 400,000 inhabitants located in an urban area of more than 650,000 inhabitants or that were regional capitals. These ten metropolitan areas established by decree will now be included with the Métropole of Nice, which was the only one existing prior the enactment of the MAPTAM law.

- **The law on on the delineation of regions, regional and departmental elections and the amendment to the electoral calendar of 25 November 2014:** the first article of the law will replace as of 1 January 2016 the current 22 regions in mainland France with 13 new regions, created from regrouping certain existing regions without modifying the departments located in them.
- **The law on the new territorial organization of the French Republic ("NOTRe"):** The Senate began its general debate on the on the NOTRe bill on 16 December 2014. The purpose of this bill is to propose a new territorial organization for the French Republic by replacing the general competence clause with "*specific competences conferred under the law at the local authority level.*"

This bill mainly provides:

- increased powers for the regions: the regions will have more consolidated powers through the transfer of competences from the departments, an increase in certain matters over which they are competent and extended regulatory power.
- decreased powers for the departments: as the departmental roadways, middle schools, inter-city and school transport systems and departmental ports have been transferred to the regions and the department's role will now be focused on promoting cohesion within the territory and community.
- a new inter-municipal map: starting on 1 January 2017, the inter-municipalities should assemble at least 20,000 inhabitants as compared to the current threshold of 5,000. Currently, 1,507 inter-municipalities out of the 2,145 existing EPCIs (or close to three fourths) do not meet this threshold and therefore should change their boundaries.
- the transfer of certain powers from the State: the draft law contains the provision that the State may transfer to the Local Authorities or Local Authorities grouping which so request the management of airports that were up until now under the State's authority at the end of the implementation of the 2004 decentralization law.

(b) Analysis of the potential impacts on the Issuer

The clarification of competences and the abolition of the general competence clause will not materially impact the Issuer.

The bills on remapping the territorial organization should also have a limited impact on the Issuer:

- strengthened cooperation between municipalities ("inter-communality") should consolidate already existing groupings and thereby reduce their number. The relative weighting of the outstanding debt carried by some Local Authorities should increase in a number of cases, in a similar vein as that of the creation of

metropolitan areas. The Issuer is also looking favourably towards this publicly-announced consolidation of inter-municipalities.

- the scale-back in the number of regions will also lead to a regrouping among Local Authorities. However, the regions' overall limited budget level and specifically their debt level should not have any impact on the Issuer in terms of the concentration of outstanding debt.
- the redefining of the department level may impact the Issuer more significantly as the corresponding competences and debts will be transferred to the relevant Local Authorities (regions and inter-municipalities), which will also be Members. At the date of this Base Prospectus, the Members include four *départements* (Aisne, Ariège, Essonne and Savoie).

From a technical standpoint and with respect to the mechanisms described in section 8.2 herein, the Agence France Locale Group has been designed to adapt to this type of change.

## 5. REVENUE AND EARNINGS FORECASTS

The Issuer has not yet launched its lending activity as of the date hereof.

This section sets out the strategic and financial objectives that the Issuer's management team defined in conjunction with drawing up its business plan.

While this disclosure has been prepared with the utmost care and pursuant to standard diligence procedures, the Issuer makes no representation nor gives any warranty as to the achievement of these objectives, which may be impacted by the emergence of both endogenous and exogenous factors, known and unknown, and over which the Issuer may not have any control. Such factors are not limited solely to the risk factors set forth in the "Risk Factors" section of this Base Prospectus.

Moreover, the Issuer may modify the assumptions set forth below over which it has control in order to adjust its development strategy.

All of the financial information set out below has been prepared in accordance with IFRS standards.

### 5.1 Assumptions

The Issuer's business plan is based on the principles and assumptions set forth in the following paragraphs:

(a) Market share

Over time, the Issuer aims to reach a 25% market share in the loans granted annually to the Local Authorities, based on the assumption that the volume of the a market would remain at €16 billion.

The Issuer's business plan was designed to grow its market share as follows over the next two years:

Year	2015	2016
Market share objective	5%	7%

(b) Increase in equity

The table below sets forth the Issuers' objectives with respect to the increase in its equity in line with the expected growth in membership of new Local Authorities, both in terms of (i) contractual commitments with regard to Initial Capital Contributions (ICCs) and (ii) contributions of paid-up capital with respect to the mechanism of staggered payments of such commitments.

The Members' ICCs have been proportioned so as to allow the Issuer to comply at all times with prudential equity ratios in its business plan.

The joining rate of Local Authorities takes into account that there will be a decrease in the number of regions joining Agence France Locale due to the effects of the regional reforms.

<b>Year</b>	<b>2015</b>	<b>2016</b>
<b>Objective for aggregate contractual contributions (in € million)</b>	178	242
<b>Objective for aggregate actual contributions (in € million) (consolidated equity)</b>	98	178

(c) Lending policy

The following assumptions with respect to the lending policy were included in the business plan:

- the Local Authorities will essentially be offered loans repayable over a 15-year term whose margins will depend (i) on Local Authorities' creditworthiness and (ii) on the need to remunerate capital and cover the Issuer's operating costs; and
- the Issuer will not make any short-term loans at the launch of its operations but may do so at a future date.

Starting at the end of the first quarter of 2015, the loans will be granted at a rhythm corresponding to the seasonal trends observed in Local Authorities' demands for lending.

The table below sets forth the Issuer's targets, based on a conservative approach, with respect to long-term loan production and outstanding long-term loans over the next two years:

<b>Year</b>	<b>2015</b>	<b>2016</b>
<b>Loan production target (in € million)</b>	818	1.170
<b>Outstanding loan target (in € million)</b>	808	1.908

(d) The Issuer's financing and hedging costs

The Issuer's business plan was based on the assumption of an average margin per issue similar to that of issuers in the same sphere of institutions as the Issuer. As such, the Issuer's financing strategy aims to draw investment from the international capital markets and primarily the Euro debt market through the issuance of bonds of standard maturities, size and type.

In diversifying its balance sheet against 3 month Euribor, the Issuer will use interest rate swaps for its issuances and fixed-rate loans as well as currency swaps for its issuances in currencies other than the Euro.

The business plan also simulates a model of potential margin calls starting from the beginning of its lending activities and on a monthly basis thereafter to ensure that the Issuer has adequate cash resources. For each maturity date of the swap agreements, a fixed for floating rate is determined by equalising the net present values of the flows from the parties to the agreement. The incoming and outgoing cash flows are calculated for each swap on the basis of these rates.

The amount of the margin call is determined by discounting the cash flow at a rate of 2% as a conventional reference rate. The net present values of cash flow are calculated at each maturity date.

(e) Asset management policy

The expected yields from the two equity investment portfolios and cash resources are as follows:

- average 10-year government bond yield return for the highest-rated countries in the Euro zone for equity; and
- Eonia and 3-month Euribor plus a margin of approximately 5 basis points for cash resources.

The equity investment portfolio will increase in relation to the ICC payments and the Issuer's financial results.

(f) Operating expenses

In drafting its business plan, the Issuer estimated that its operating expenses would be as follows over the next two years:

Year	2015	2016
<b>Expected operating expenses (in € million)</b>	11.8	10.2

Operating expenses for 2015 include the Issuer's start-up and investment costs, with only the investment costs amortising over several years. While these costs are mainly focused in 2014 and 2015, operating costs for 2016 include an increase in costs for staff required as the Issuer's lending activities are rolled out.

## 5.2 The Issuer's forecasted financial statements

Based on and subject the assumptions set forth in section 5.1 above being confirmed, the Issuer has defined the following forecasts on a consolidated basis for the next two years.

(a) Balance sheet items: 2015-2016 Objectives (€ million)

	2015	2016
Customer loans and receivables	808	1.908

Other <sup>22</sup>	448	572
<b>Total assets</b>	<b>1.256</b>	<b>2.480</b>
Debt represented be a security	1.179	2.326
Other	4	3
<b>Total liabilities</b>	<b>1.183</b>	<b>2.329</b>
<b>Equity</b>	<b>73</b>	<b>151</b>
<b>Total liabilities and equity</b>	<b>1.256</b>	<b>2.480</b>

It should be noted that part of the proceeds of the debt issued by the Issuer is aimed at financing its liquidity reserves (“Other”) in order to meet prudential requirements under regulation applicable to financial institutions.

(b) Items included in income: 2015-2016 Objectives (€ million)

	2015	2016
<b>Net banking income</b>	<b>2.9</b>	<b>13.7</b>
<b>Gross operating profits</b>	<b>-8.9</b>	<b>3.6</b>

The business plan is based on an assumption that over the period 2015 to 2016, the cost of risk will change as follows:

2015	2016
<b>0.048</b>	<b>0.066</b>

### 5.3 Sensitivity analysis

In order to assess the sensitivity of its business plan in relation to the key assumptions supporting the aforementioned objectives, the Issuer has prepared variations of the baseline scenario:

- (1) lower provision of loans due to less competitive positioning of the Issuer; and
- (2) contraction in the market for Local Authorities financing and an increase in the Issuer’s refinancing costs.

It should also be noted that:

- the objectives described in section 5.2 may be impacted by factors other than the ones listed above and which were unforeseen by management.
- the actual variations in the assumptions may be higher than the ones analysed herein; and
- the factors broken out and analysed individually above may grow in number.

(a) Lower provision of loans due to less competitive positioning

<sup>22</sup> This line corresponds to a portion of the proceeds from the debt issued by the issuer that will fund its liquidity reserve to meet prudential requirements.

The assumption used in this scenario is that the volume of the loans produced by the Issuer decreases, without a credit margin increase, due to a less competitive business position, assuming that all other factors remain the same, in particular the refinancing rate.

(i) 2015-2016 Balance sheet items (€ million)

	<b>2015</b>	<b>2016</b>
Customer loans and receivables	453	1.068
Other <sup>23</sup>	623	529
<b>Total assets</b>	<b>1.076</b>	<b>1.597</b>
Debt represented by a security	1.000	1.450
Other	4	2
<b>Total liabilities</b>	<b>1.004</b>	<b>1.452</b>
<b>Equity</b>	<b>72</b>	<b>145</b>
<b>Total liabilities and equity</b>	<b>1.076</b>	<b>1.597</b>

(ii) Items included in 2015-2016 income (in € million)

	<b>2015</b>	<b>2016</b>
<b>Net banking income</b>	<b>2.2</b>	<b>8.1</b>
<b>Gross operating profits</b>	<b>-9.6</b>	<b>-2.0</b>

(b) Contraction in the market for Local Authorities financing and an increase in the Issuer's refinancing costs

The assumptions used in this scenario are as follows:

- Contraction of the market to €10 billion from 2015; and
- 40 bp increase in refinancing cost,

assuming all other factors in the main scenario and sensitivity analysis (a) set out above remain the same, in particular the commercial margin applied to loans offered to Members and the rate of liquidity remuneration.

(i) 2015-2016 Balance sheet items (€ million)

	<b>2015</b>	<b>2016</b>
Customer loans and receivables	453	1.068
Other	620	525

<sup>23</sup> This line corresponds to a portion of the proceeds from the debt issued by the issuer that will fund its liquidity reserve to meet prudential requirements.

<b>Total assets</b>	<b>1.073</b>	<b>1.593</b>
Debt represented by a security	1.000	1.450
Other	4	3
<b>Total liabilities</b>	<b>1.004</b>	<b>1.453</b>
<b>Equity</b>	<b>69</b>	<b>140</b>
<b>Total liabilities and equity</b>	<b>1.073</b>	<b>1.593</b>

(i) Items included in 2015-201 income (in € million)

	<b>2015</b>	<b>2016</b>
<b>Net banking income</b>	<b>-0.8</b>	<b>6.1</b>
<b>Gross operating profits</b>	<b>-12.6</b>	<b>-4.1</b>

## 5.4 Statutory auditors' report on profit forecasts

<b>KPMG AUDIT FS I</b> Immeuble Le Palatin 3, cours du Triangle 92939 Paris la Défense	<b>Cailliau Dedouit et Associés</b> 19, rue Clément Marot 75008 Paris
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### AUDITORS' REPORT ON PROFIT FORECASTS FOR 2015 AND 2016

**AGENCE FRANCE LOCALE**  
Tour Oxygène  
10-12, boulevard Vivier Merle  
69393 Lyon Cedex 03

Dear Sirs,

In our capacity as auditors of the company Agence France Locale and pursuant to the EC Regulation N° 809/2004, we have prepared this report on the profit forecasts relating to the financial year 2015 and 2016 of the company Agence France Locale as indicated in paragraph 5.2 of the chapter "Description of the Issuer" and the Base Prospectus established for the purpose of the proposed Issuance of debt securities on the regulated market Euronext Paris.

These forecasts and the significant assumptions underlying them were prepared under your responsibility, pursuant to the provisions of the EC Regulation N° 809/2004 and ESMA recommendations on forecasts.

It is our responsibility, based on our work, to express a conclusion in the terms required by Annex I, paragraph 13.2 of the EC Regulation N° 809/2004, the adequacy of the establishment of these forecasts.

We have taken the diligence that we have considered necessary regarding professional standards of the National Audit Authority (*Compagnie Nationale des Commissaires aux Comptes*) on this mission. This work consisted in an assessment of the preparation process for the profit forecasts, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of the company. We also gathered all the relevant information and explanations that we considered necessary in order to obtain reasonable assurance that the profit forecasts were properly compiled on the basis stated.

We would remind you that, since profit forecasts are, by their very nature, subject to uncertainties, actual results sometimes differ significantly from the profit forecasts presented and that we do not express any conclusion on the likelihood, or otherwise, of the actual results being in line with these profit forecasts.

In our opinion :

- the profit forecasts have been properly compiled of the basis stated ;
- the methods of calculation have been properly implemented ;

This report is issued for the sole purpose of filing the Base Prospectus with the Autorité des Marchés Financiers, and may not be used, distributed or quoted in any other context.



In our capacity as Statutory Auditors of your company, our responsibility is defined by French law and we accept no extension of our liability beyond that provided by French law. The French courts have exclusive jurisdiction in any dispute, claim or dispute that may arise in this report or any matter relating thereto.

Signed in Paris la Défense and in Paris, on 27 February 2015

The Auditors

**KPMG Audit FS I**

**Cailliau Dedouit et Associés**

Fabrice Odent

Laurent Brun

## 6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Agence France Locale Group's governance is based on a dual structure, as required by legislator, so as to separate the responsibilities with respect to management, control and shareholder representation in accordance with the recommendations of the Basel Committee.

ST's governance is described in section 8 "Principal Shareholders" herein.

The Issuer's effective management is carried out by its executive board (the *Executive Board*) under the permanent control of a supervisory board (the *Supervisory Board*). This organisation makes it possible to have a checks and balance procedure in place and holds key stakeholders within the company more accountable.

### 6.1 Membership of the administrative, management and supervisory bodies

(a) The Issuer's Executive Board directors

The membership of the Executive Board as of the date of this Base Prospectus is set forth below:

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
Yves Millardet Born on 24 August 1964 in Vannes, France	Chairman of the Executive Board Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed by the Supervisory Board on 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2019	Deputy CEO of ST	None
Philippe Rogier Born on 25 January 1965 in Toulouse, France	Member of the Executive Board Loan Officer	Appointed by the Supervisory Board on 17 December 2013	None	None

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
	Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code  Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2019		
Thiébaud Julin Born on 16 September 1961 in Mulhouse, France	Member of the Executive Board Chief Financial Officer  Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code  Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed by the Supervisory Board on 25 March 2014  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020	None	None
Ariane Chazel Born on 16 August 1970 in Paris France	Member of the Executive Board Risk, Compliance and Control Director  Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code  Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed by the Supervisory Board on 5 June 2017 to take effect no later than 17 September 2014  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020	None	None

(b) Supervisory Board directors

The membership of the Supervisory Board as of the date of this Base Prospectus is set forth below:

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
Jacky Darne Born on 18 December 1944 in	Chairman of the Supervisory Board Tour Oxygène, 10-12	Appointed under the articles of incorporation dated 17 December	Vice-Chairman of ST's Board of Directors	None

<b>First and Last names Date and place of birth</b>	<b>Duties and any special powers Professional address</b>	<b>Date of first appointment and end of term</b>	<b>Terms of office and duties performed within the Group since the Issuer's incorporation</b>	<b>Terms of office and duties performed outside the Group since the Issuer's incorporation</b>
Rosières, France	boulevard Vivier Merle, 69003 Lyon, France	2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016		
Rollon Mouchel-Blaisot Born on 19 June 1959 in Carteret, France	Vice-Chairman of the Supervisory Board Member of the Appointment, Compensation and Corporate Governance Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	Chairman of ST's Board of Directors	None
Olivier Landel Born on 9 January 1963 in Paramé (Saint-Malo), France	Member of the Supervisory Board Member of the Audit, Internal Control and Risks Committee Member of the Strategic Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	ST's Chief Executive Officer	None
Lars Andersson Born on 27 March 1952 in Sweden	Member of the Supervisory Board Member of the Strategic Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
Victoire Aubry-Berrurier Born on 5 June 1966 in La Roche-sur-Yon, France	Member of the Supervisory Board Member of the Audit, Internal Control and Risks Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	<ul style="list-style-type: none"> <li>- Chair of the Compagnie Immobilière des 2 Savoie (SASU) (RCS Nanterre no. 443 140 694)</li> <li>- Chair of the CDHA (SAS) (534 738 224 R.C.S. Nanterre)</li> <li>- Manager of Deux Alpes Loisirs (SA) (064 501 406 RCS Grenoble)</li> <li>- Manager of Domaine Skiable de la Rosière (SAS) (444 425 169 RCS Chambéry)</li> <li>- Manager of Harderwijk</li> </ul>

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
				<p>Hellendoorn Holding B.V. (SARL) (KvK RCS – 34161632)</p> <p>– Manager of Domaine skiable de Valmorel (SAS) (306 689 225 RCS Chambéry)</p> <p>– Manager of Musée Grévin (SA) (552 067 811 RCS Paris)</p> <p>– Manager of Société d'exploitation des Remontées Mécaniques de Morzine Avoriaz (SAS) (389 022 419 RCS Thonon-les-Bains)</p>
<p>François Drouin Born on 7 August 1951 in Quierschied, Germany</p>	<p>Member of the Supervisory Board Member of the Audit, Internal Control and Risks Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p>	<p>Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016</p>	None	<p>– Chairman of the Board of Directors of Société Concessionnaire Française pour la construction et l'exploitation du Tunnel routier sous le Mont Blanc (SA) (RCS Paris no. 582 056 511)</p> <p>– Board of Directors of Société Française du Tunnel Routier du Fréjus (SEM) (RCS Chambéry no. 962 504 049)</p> <p>– Chairman of ETI Finance (SAS) (797 802 568 Paris)</p> <p>– Vice-President and Observer on the Board of Directors of BPI France (SA) (RCS Créteil no. 320 252 489)</p>
<p>Nicolas Fourt Born on 22 September 1958 in Nancy, France</p>	<p>Member of the Supervisory Board Member of the Audit, Internal Control and Risks Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p>	<p>Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016</p>	None	<p>– Deputy Chief Executive Officer and director of Acofi Gestion (SA) (RCS Paris no. 415 084 433)</p> <p>– Chief Executive Officer of Alfafinance Analytics And Advisory (SAS) (RCS Paris no. 523 571 218)</p> <p>– Chairman of Migus</p>

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
				<ul style="list-style-type: none"> <li>&amp; Associés (SAS) (RCS Paris no. 501 228 647)</li> <li>– Director of Acofi Holding (SAS) (RCS Paris no. 510 571 995)</li> <li>– Director of Denis Friedman Productions (SA) (RCS Paris no. 409 756 350)</li> <li>– Manager of Misty (EURL) (RCS Paris no. 484 135 603)</li> <li>– Manager of Migus Conseil (SARL) (RCS Paris no. 519 192 512)</li> <li>– Manager of NF Conseil (SARL) (RCS Nanterre no.519 411 441)</li> <li>– Director of Alfafinance (SAS) (RCS Paris no. 751 891 748)</li> </ul>
Daniel Lebègue Born on 4 May 1943 in Lyon, France	Member of the Supervisory Board Member of the Appointment, Compensation and Corporate Governance Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	– Manager of Environnement Conseil Concept Communication (SARL) (RCS Paris no. 377 816 111)
Simon Munsch Born on 10 July 1977 in Sarrebourg, France	Member of the Supervisory Board Member of the Appointment, Compensation and Corporate Governance Committee Member of the Audit, Internal Control and Risks Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
Dominique Schmitt Born on 2 June 1948 in Strasbourg, France	Member of the Supervisory Board Member of the Strategic Committee Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France	Appointed under the articles of incorporation dated 17 December 2013 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31	None	None

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties performed within the Group since the Issuer's incorporation</i>	<i>Terms of office and duties performed outside the Group since the Issuer's incorporation</i>
		December 2016		

## 6.2 Conflicts of interest

As of the filing date of this Base Prospectus, the Executive Board has been informed by Philippe Rogier, a Member of the Issuer's Executive Board and the Issuer's Loan Officer, that his wife is the Chief Financial Officer at HSBC France and that she has been a member of HSBC's Executive Committee since 1 August 2014. In order to prevent any conflict of interests, Philippe Rogier has made commitments with respect to the Executive Board as such commitments are stipulated in the Issuer's code of ethics. To the Issuer's knowledge, there is no other actual or potential conflict of interest between the duties of the directors mentioned in section 6.1 herein with regard to the Issuer and their private interests or other duties.

However, it should be noted that certain members of the Supervisory Board not considered independent under its internal rules of procedure may be viewed as having ties with local authorities, and these local authorities may be both ST shareholders and the Issuer's clients. To ensure complete independence in its management, the Issuer's articles of association stipulate that more than half of the Supervisory Board's members must be independent.

## 7. OPERATION OF THE ADMINISTRATIVE BODIES

### 7.1 Executive Board

(a) Membership of the Executive Board (article 14 of the articles of association)

(i) Membership and appointment procedures

The Executive Board has at least two (2) members and a maximum of five (5).

The members of the Executive Board and its Chairman are appointed by the Supervisory Board, acting by a simple majority.

A maximum of one-third of the Executive Board's members may be over 70 years old. If the number of its members over 70 years old exceeds more than one-third of the Executive Board, the oldest member will be deemed as having resigned automatically from office.

(ii) Length of the terms of office of the Executive Board members

The members of the Executive Board are appointed for a six-year term, renewable according to the aforementioned majority requirements. The term of office ends at the ordinary shareholders' meeting called to vote on the accounts for the recent financial year held during the year in which their term of office expires.

(b) Powers of the Executive Board (article 14 of the articles of association)

The Executive Board members collectively manage the Issuer.

The Executive Board is vested with the broadest powers to act on behalf of the Issuer. It exercises these powers within the limit of the corporate purpose and subject to those powers expressly conferred by French law or the articles of association to the Supervisory Board and the shareholders' meetings.

The Issuer is bound by the actions of the Executive Board even if such actions are beyond the scope of the corporate purpose, unless it can prove that the third party knew that the relevant action was beyond the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances. The publication of the Company's articles of association alone shall not constitute such proof.

The Executive Board submits, at least quarterly, a report to the Supervisory Board describing the major operations and/or events that have occurred in the Issuer's management.

Within three months of the financial year end, the Executive Board prepares and submits to the Supervisory Board the annual financial statements and, where relevant, the consolidated financial statements, for verification and control. It makes a proposal on how to allocate the profit or loss for the recently completed financial year.

The Executive Board convenes the general shareholders' meetings, sets the agenda and carries out the decisions made by the shareholders.

(c) Deliberations of the Executive Board (article 14 of the articles of association)

The Executive Board shall meet at least once a month or as frequently as the Issuer's interest requires. It shall be convened to meetings by its Chairman, its Chief Executive Officer (if such position exists) or by half of its members at its registered office or at any other location indicated in the meeting notice.

For a deliberation to be valid, at least half of the members have to effectively attend the meeting. Members attending Executive Board meetings via video-conferencing, which meets the technical specifications to confirm their actual attendance and transmit the deliberations live, shall be considered present when calculating quorum and majority requirements, except when adopting decisions provided for in Article L.225-37 of the French Commercial Code.

Deliberations are made by a simple majority. In the event of a tie, the Chairman has the casting vote.

(d) Corporate officers (*dirigeants responsables*)

The duties of the corporate officers, pursuant to Article L. 511-13 of the French Monetary and Financial Code, shall be collectively carried out by all of the Executive Board members, in accordance with the ACPR's position related to the appointment of "executive directors (*dirigeants effectifs*)" as this term is defined in Article L. 511-13 and Article L. 532-2, paragraph 4 of the French Financial and Monetary Code dated 20 June 2014.

(e) Compensation of the Executive Board members

The Supervisory Boards determines the nature and amount of compensation paid to each member of the Executive Board and reviews it on an annual basis.

## 7.2 Supervisory Board

### (a) Supervisory Board directors

- (i) Number of members and number of independent members (article 15 of the articles of association, Article 2 of the internal rules of procedure)

The membership of the Supervisory Board was selected in order to achieve the key objectives described below:

- ensure that the Supervisory Board has the proficiency and expertise with respect to the technical issues of overseeing the management of a specialised credit institution;
- ensure that the profiles of its members are diversified in order to have a deep understanding of as many issues as possible;
- ensure its independence with respect to the Executive Board, the Board of Directors and the Members of the Agence France Locale Group.

The Supervisory Board has a minimum of eight (8) and a maximum of eighteen (18) members, including:

- (a) the Chairman of ST's Board of Directors;
- (b) the Vice-Chairman of ST's Board of Directors;
- (c) ST's Chief Executive Officer;
- (d) an expert with extensive knowledge on issues related to the Members' funding; and
- (e) a minimum of four members recognised for their professional expertise in finance and management and who hold or have held positions in independent public authorities or private institutions.

The members specified in paragraph (e) above are deemed independent. ST's Board of Directors proposes their appointment upon the recommendation and opinion of ST's and the Issuer's respective Nomination, Compensation and Corporate Governance Committees.

As stipulated in the Issuer's articles of association, the number of independent Supervisory Board members with professional expertise in finance and management must be at all times greater than the number of Supervisory Board members appointed to represent the Local Authorities.

The Supervisory Board's internal rules of procedure define the term "independence" of a member.

The independence of a member, which is deliberated on by the Issuer's Nomination, Remuneration and Corporate Governance Committee on a case-by-case basis and in light of each member's specific situation, implies (i) the absence of any relationship whatsoever with the Issuer, its group or its management and (ii) the absence of a



specific interest with respect to the Issuer or its group. An assessment of the independence is made taking into careful consideration the following criteria:

- an independent member must not be or have been in the five (5) years prior to his or her appointment:
  - (i) an employee of the Issuer or ST;
  - (ii) a member of the Issuer's Executive Board; or
  - (iii) a member of ST's Board of Directors or its Chief Executive Officer, Deputy Chief Executive Officer or General Secretary;
- an independent member must not be a close relative with a person holding one of the positions specified in paragraphs (i) to (iii) above or with any other member of the Supervisory Board;
- an independent member must not be an officer in a company in which the Issuer holds, directly or indirectly, a corporate office;
- an independent member must not be a significant client, supplier, investment or commercial banker of the Issuer or ST;
- an independent member must not be an elected representative or employee of a Local Authority that is a shareholder of the Issuer;
- an independent member must not be or have been an auditor of the Issuer or ST in the three (3) years prior to his or her appointment;
- an independent member cannot remain on the Supervisory Board for more than twelve years; it being herein stated that such member shall lose his/her independent status only at the end of the term of office during which the twelve-year term was exceeded.

No individual over 70 years of age shall be appointed to the Supervisory Board if his/her appointment increases to more than one-third the number of Board members over 70.

If the number of its members over 70 years old exceeds more than one-third of the Supervisory Board, the oldest member will be deemed as having resigned automatically from office.

- (ii) Length of the terms of office of the Supervisory Board (article 15 of the articles of association)

Except for the initial members of the Supervisory Board appointed for a three-year term, the Supervisory Board members are appointed for a six-year term, renewable by a simple majority. The Issuer's shareholders determine the terms of their appointment under the same majority rules.

The Supervisory Board members' term of office ends at the ordinary shareholders' meeting called to vote on the accounts for the recent financial year held during the year in which their term expires.

Members of the Supervisory Board may be reappointed.

- (iii) The number of Issuer shares held by members of the Supervisory Board

There is no requirement in the Issuer's articles of association for the members of the Supervisory Board to hold shares of the Issuer.

- (b) The duties of the Supervisory Board

The Supervisory Board's internal rules of procedure supplement the legal and statutory provisions on the rights and duties of the Supervisory Board members and reflect the recommendations set forth in the AFEP-MEDEF Code. They must comply with the obligations whose terms are summarised below:

- (i) General obligations (Article 5 of the internal rules of procedure)

Prior to accepting office, each Supervisory Board member should ensure that he or she is familiar with the general or specific obligations entrusted to him/her. In particular, he or she should familiarise himself/herself with relevant laws and regulations, the Issuer's articles of association and the Supervisory Board's internal rules of procedure that are binding upon him or her in all of their provisions.

- (ii) Duty of loyalty and management of conflicts of interest (Article 6 of the internal rules of procedure)

The members of the Supervisory Board shall under no circumstance put their own interests before those of the Issuer.

Each member of the Supervisory Board has the duty to report to the Supervisory Board any actual or potential conflict of interest between him/her (or any individual who is a close family member or relative), the Issuer or a company in which the Issuer is a shareholder or a company with which the Issuer intends to enter into any type of agreement.

The Supervisory Board member in question must refrain from attending and taking part in the vote on the resolution with which he or she has a conflict of interest as well as any discussions leading up to such vote, unless it pertains to a current agreement entered into on an arm's length basis.

- (iii) General disclosure obligation (Article 7 of the internal rules of procedure)

In accordance with applicable laws and regulations in both France and Europe, each Supervisory Board member shall submit to the Supervisory Board all of the information related to (i) the compensation and benefits-in-kind he or she received from the Issuer, (ii) offices held or duties performed for any other company or legal entity and (iii) any convictions.

- (iv) Duty of discretion (Article 8 of the internal rules of procedure)

As a general matter, all of the documents and material from the Supervisory Board meetings and disclosures obtained during or outside of these meetings pertaining to the Agence France Locale Group, its business and its outlook are confidential without exception, whether or not the disclosure was presented as confidential. Each

Supervisory Board member should consider that he or she is bound by a strict duty of professional secrecy, extending beyond the mere duty of discretion provided for by the laws and regulations.

(v) Duty of care (Article 9 of the internal rules of procedure)

Each Supervisory Board member must dedicate the necessary time and attention to their duties. Each Supervisory Board member shall be diligent to attend in person, or where necessary by video-conference or other telecommunications methods, all Supervisory Board meetings and any meeting of a committee set up by the Supervisory Board of which he or she is a member, except in the event of an unavoidable impediment.

(vi) Training obligation (Article 11 of the internal rules of procedure)

Under the aegis of the Nomination, Compensation and Corporate Governance Committee, each new member of the Supervisory Board is required to receive training on the structure and operation of the Issuer so that he or she thoroughly understands the division of the competences and role of ST's and the Issuer's respective governance boards to avoid any misunderstanding or non-transparency related to the structure.

The non-independent members agree to receive technical training, as selected by the Nomination, Compensation and Corporate Governance Committee, on the management and oversight of a credit institution in order to fully understand the specificities related to the Issuer, its businesses and its industry.

(c) Powers of the Supervisory Board (article 15 of the articles of association, Title III of the internal rules of procedure)

The Supervisory Board is in charge of the permanent control of the Issuer's management and assesses its effectiveness on behalf of ST and the Members. It conducts the checks and controls it deems appropriate at any time throughout the year and may request any documents it considers necessary in performing its duties.

Within such context, the following decisions fall within the remit of the Supervisory Board acting by a simple majority:

- appointment of the Executive Board members and the setting of their compensation;
- candidate selection for the Chairman of the Executive Board;
- conferral of power of representation to one or more members of the Executive Board;
- co-opting members of Supervisory Board;
- authorisation, pursuant to the provisions of Articles L. 225-86 *et seq.* of the French Commercial Code, of agreements entered into either directly or through a third party with the Company and a member of the Executive Board or a member of the Supervisory Board or ST;
- authority to convene a general meeting;

- annual compulsory review of the Company's policy on equal work opportunities and equal pay;
- appointment of members on the Supervisory Board's sub-committees;
- approval of the Chairman's internal control report; and
- distribution of directors' attendance fees.

Furthermore, the Executive Board cannot make the following decisions without the prior authorisation of the Supervisory Board acting as a simple majority:

- sale of real estate assets, total or partial sales of shareholdings and grant of securities;
- key strategic, financial or technological decisions on behalf of the Company and the drafting of its annual funding policy;
- strategy and decisions pertaining to the launch of new businesses, takeover of companies, entry into any alliances or partnerships, any asset transfers, including universal asset transfers equal to or in excess of one million Euros (€1,000,000), and more broadly, any investment or divestment equal to or in excess of one million Euros (€1,000,000);
- decisions pertaining to the award of stock options or equivalent securities as well as free share grants to directors and officers;
- decisions pertaining to financial transactions that may substantially alter the Company's financial structure which were not taken into consideration in preparing the annual funding policy;
- draft resolutions to be submitted for the approval by the shareholders, pursuant to article L. 228-92 of the French Commercial Code, related to the issuance of securities that may or may not grant the right to a percentage of the share capital or voting rights and the setting of the terms and conditions of the issuances of such securities; and
- proposals to distribute dividends and related transactions.

(d) Deliberations of the Supervisory Board (Article 15 of the Articles of association, Title V of the internal rules of procedure)

The Supervisory Board meets at least quarterly and as frequently as the Issuer's interests require.

The Supervisory Board meetings are presided over by its Chairman or its Vice-Chairman in his absence. In the event there is no Vice-Chairman, the Supervisory Board elects from its members a meeting chairperson.

The Supervisory Board can only hold valid deliberations if at least one-third of its members are present. The decisions of the Supervisory Board are made acting on a simple majority of the votes of members in attendance or represented; each member in attendance can only represent one other member.

In the event of a tie, the acting chairman of the Supervisory Board shall have the casting vote.

Members attending Supervisory Board meetings via video-conferencing or other forms of telecommunication, which meet the technical specifications set forth by applicable laws and regulations, shall be considered present when calculating quorum and majority requirements according to the terms stipulated in the Supervisory Board's internal rules of procedure.

(e) Compensation of the Supervisory Board members

In recognition of the performance of their duties, the Supervisory Board members receive attendance fees, the amount of which is decided on by the general shareholders' meeting. The Supervisory Board is in charge of allocating the attendance fees among the members.

The Supervisory Board members who are responsible for verifying the prudential management receive a substantially larger portion of attendance fees.

Notwithstanding the foregoing, with respect to the legal framework as defined in the French Electoral Code (*Code électoral*) governing incompatibilities that apply to elected officials of national public office, no attendance fees shall be allocated under any circumstances to Supervisory Board members who are also elected officials of national public office.

### 7.3 Agence France Locale Group's Advisory Board

An advisory board (the *Advisory Board*) provides guidance to ST's Board of Directors and the Issuer's Supervisory Board. The Advisory Board seeks out future prospects and offers insights and guidance (risk assessment, oversight, formulating new offers, etc.) as well as enhances the Agence France Locale Group's strategic planning. In particular, it reviews the funding projects and the diversification of medium-and long-term funding. It also steers the strategic thought-process on:

- the Agence France Locale Group's macroeconomic situation;
- the trends in current or future regulatory changes and their effects on the Agence France Locale Group. It also oversees the strategic roll out of the Agence France Locale Group's adjustment plan to a new economic, financial or prudential environment.

The Advisory Board has a minimum of fifty and maximum of sixty members. The Advisory Board includes representatives of the first fifty Local Authorities that became Members (excluding the Founding Members) and the representatives of a maximum of ten Members that were appointed by ST's Board of Directors. It may also include qualified experts appointed by ST's Board of Directors.

### 7.4 Supervisory Board Committees

In certain areas, the Supervisory Board's work and discussions are prepared by specialised committees, comprised of Supervisory Board members appointed by the Supervisory Board for the duration of their term of office. They handle matters that come under their authority or, where applicable, matters entrusted to them by the Executive Board. They report regularly on their work to the Supervisory Board and submit to it their observations, opinions, proposals and recommendations.

The Supervisory Board places reliance on the work and diligences performed by the following three specialised committees:

- the Audit, Internal Control and Risks Committee;

- the Appointment, Compensation and Corporate Governance Committee; and
- the Strategic Committee.

(a) The Audit, Internal Control and Risks Committee

(i) Membership of the Audit, Internal Control and Risks Committee

The Audit Committee has at least three members, including its chairperson, who are chosen among the Supervisory Board members (except for the Supervisory Board Chairman) and who do not hold a management position at the Issuer.

The Audit Committee's chairperson shall be elected among the independent members.

(ii) Responsibilities of the Audit, Internal Control and Risks Committee

(A) Financial information and risk management

The Audit Committee oversees the process by which financial and accounting information is prepared and disseminated, assesses the relevance and consistency of the accounting principles and methods used to prepare the annual and quarterly financial statements and verifies the efficacy of the internal control and risk management systems. It takes all possible care to ensure the accuracy of the financial, accounting or risk management information submitted to the Supervisory Board in order to provide the Board with its assessment on the work and diligences carried out by the statutory auditors and its opinion as to whether to reappoint them.

(B) Internal control and risk management

The audit committee is also tasked with verifying the efficacy of the Issuer's internal control and risk management systems.

It examines the key focuses of the Issuer's risk management policy, based on measurements of risks and profitability provided to it in accordance with applicable regulations, as well as on its analyses of specific issues related to these matters and methods.

It also handles all compliance related issues, particularly in respect of reputation risk or professional ethics.

The Audit Committee reviews the report on risk measurement and monitoring. Twice a year it examines the internal control operations and findings, based on the information provided by the Issuer's general management, as well as the compliance and periodic control reports submitted by the permanent control managers. It reviews the exchanges of correspondence with the ACPR's Department of Legal and General Corporate Affairs.

(C) External control

The Audit Committee is also tasked with verifying the efficacy of the Issuer's external control, especially the external diligences performed by the statutory auditors.

(iii) Operation of the Audit, Internal Control and Risks Committee

The Audit Committee meets at least twice a year.

The Supervisory Board sets the dates for the meeting, without prejudice to the provisions of its internal rules of procedure regarding convening committee meetings.

The Audit, Internal Control and Risks Committee shall be informed by the Issuer's Executive Board and the statutory auditors of any event that could expose the Issuer to a material risk. Under their sole responsibility, the Executive Board members or the statutory auditors assess the materiality of the risk.

(b) Appointment, Compensation and Corporate Governance Committee

(i) Membership of the Appointment, Compensation and Corporate Governance Committee

The Appointment, Compensation and Corporate Governance Committee has at least three members.

The chairman of the Appointment, Compensation and Corporate Governance Committee shall be elected from the independent members.

(ii) Powers of the Appointment, Compensation and Corporate Governance Committee

With respect to the appointment process, the Appointment, Compensation and Corporate Governance Committee is tasked with the following:

- assisting the Supervisory Boarding in putting forward candidates for the Supervisory Board and its sub-committees and the Executive Board;
- selecting potential candidates for the Supervisory Board meeting the independence criteria and submit such list of candidates to the Supervisory Board;
- preparing the succession of the aforementioned candidates.

More generally, the Appointment, Compensation and Corporate Governance Committee is also in charge of submitting recommendations on the compensation plans for the members of the Supervisory Board, the executive compensation plan and any type of profit-sharing plan for the Issuer's employees and the members of the governance boards of entities controlled by the Issuer.

(iii) Operation of the Appointment, Compensation and Corporate Governance Committee

The Appointment, Compensation and Corporate Governance Committee is governed by the applicable laws and regulations as well as by the provisions of the

Issuer's articles of association and the Supervisory Board's internal rules of procedure.

(c) Strategic Committee

(i) Membership of the Strategic Committee

The Strategic Committee has at least three members, including its chairperson.

(ii) Powers of the Strategic Committee

The Strategic Committee reviews and oversees the roll out of the Issuer's strategy plan as well as any of its strategic projects or transactions. It therefore formulates its opinion on:

- the Issuer's key strategic focuses (including the medium-term business plan);
- the Issuer's development policy;
- the large-scale financing or refinancing projects or programmes that the Issuer expects to carry out.

The Strategic Committee also studies and examines:

- drafts of strategic agreements and partnerships, and more generally
- any type of significant project or undertaking. The Strategic Committee's chairperson assesses the materiality of a project submitted by the Issuer's management and makes his/her decision particularly in light of the amount of the commitments related to such project.

As a general rule, the Strategic Committee issues an opinion on any other strategic issue put forth by the Supervisory Board.

(iii) Operation of the Strategic Committee

The Strategic Committee is governed by the applicable laws and regulations as well as by the provisions of the Issuer's articles of association and the Supervisory Board's internal rules of procedure.

## 7.5 Corporate governance

In the interests of transparency and information to the public, the Issuer has decided to comply with corporate governance principles, as defined by the recommendations issued by the *Association Française des Entreprises Privées* (French Association of Private Companies - *AFEP*) and the *Mouvement des Entreprises de France* (French Business Confederation - *MEDEF*) in their corporate governance code for listed companies, as revised in June 2013 (the *AFEP-MEDEF Code*).

In this context, the Issuer's Supervisory Board adopted a set of internal rules of procedures reflecting the key provisions of this code. In order to reflect its own specific circumstances, the Issuer has nevertheless decided to depart from or adjust certain of these provisions as set forth below.



- (a) Balanced representation of men and women on boards (Article 6.4 of the AFEP-MEDEF Code)

As of the date of this Base Prospectus, the Issuer's Supervisory Board includes one woman and nine men representing a 10/90 ratio. The Issuer upholds gender equality and diversity in general as one of its core values. The Issuer's Executive Board has a 25% to 75% female-male representation and this gender ratio is 33.33% to 66.66% among employees as of the date hereof.

This composition is a by-product of the Agence France Locale Group's early days of being incorporated and the Issuer is endeavouring to improve the gender ratio within its Supervisory Board over the medium term.

- (b) Independence of the Supervisory Board members and duration of terms of office (Articles 9.4 and 14 of the AFEP-MEDEF Code)

It is of crucial importance that the Issuer's Supervisory Board members are independent to guarantee that the Executive Board's is autonomous in its management *vis-à-vis* ST. As such, the Issuer's articles of association stipulate that the number of independent members on the Supervisory Board must at all times be greater than the number of representatives from ST and the Local Authorities. The Supervisory Board defined the criteria to be used to assess and guarantee the independence of its members in accordance with the disclosure provided in section 7.2(a)(i).

Accordingly, the terms of appointment for Supervisory Board members were extended to six years instead of the four years recommended by the AFEP-MEDEF Code due to the fact that the Issuer is almost entirely held by ST. This extended term of appointment is to ensure the continuity of the independent directors' work even though they may still be legally and immediately removed from office by the shareholders. Notwithstanding the information above, the initial members of the Supervisory Board were appointed for a three-year term.

- (c) Waiver of shares to be held by the Supervisory Board members (Article 14 of the AFEP-MEDEF Code)

The Supervisory Board members do not hold any shares in the Issuer or ST, in keeping with the principle regarding the Agence France Locale Group's structure whose shareholders are comprised exclusively of its Members.

## 8. PRINCIPAL SHAREHOLDERS

The description of ST, the Issuer's direct majority shareholder, is set out in paragraph 4 of the section "Description of the Guarantors and the guarantee mechanism" of this Base Prospectus.

## 9. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL POSITION AND RESULTS

### 9.1 The Issuer's financial information according to IFRS

The information presented below are established on the basis of the financial statements of the Issuer restated under IFRS. However, only the financial statements of the Issuer under French accounting standards have legal value. These are reproduced in the Annex to this Base Prospectus, and the auditors' report thereon.

(a) Financial statements prepared according to IFRS as of 31 December 2014.

#### 1. THE ISSUER'S IFRS ACCOUNTS AS AT 31 DECEMBER 2014

##### 1.1. Assets

ASSETS	Note	31/12/2014 (€K)
Customer loans and receivables		5 919
Financial assets held-to-maturity	1	30 755
Deferred tax assets	6	3 242
Accruals and miscellaneous assets	3	1 562
Tangible fixed assets	5	649
Intangible fixed assets	5	4 148
<b>TOTAL ASSETS</b>		<b>46 275</b>

##### 1.2. Liabilities

LIABILITIES	Note	31/12/2014 (€K)
Debts owed to credit institutions	2	15 800
Accruals and miscellaneous assets	4	1 156
Provisions	11	3
<b>Shareholders' equity</b>		<b>29 316</b>
Shareholders' equity		29 316
Capital and associated reserves		35 800
Reserves		-
Loss for the financial year		-6 484
<b>TOTAL LIABILITIES</b>		<b>46 275</b>

### 1.3. Income statement

INCOME STATEMENT	Note	31/12/2014 (€K)
Interest and related income	7	425
Interest payable and similar charges	7	-63
Fees (expenses)	8	-53
Net profit or loss on financial assets available for sale		1
<b>Net banking proceeds</b>		<b>311</b>
Miscellaneous operating proceeds and expenses	9	-9 920
Depreciation, impairment and provisions for intangible and tangible fixed assets		-117
<b>Gross operating income (loss)</b>		<b>-9 726</b>
<b>Operating income (loss)</b>		<b>-9 726</b>
<b>Pre-tax results</b>		<b>-9 726</b>
Income taxes		3 242
<b>Net income (loss)</b>		<b>-6 484</b>
	Earnings per share	-0.02
	Diluted earnings per share	-0.02

#### 1.4. Statement of comprehensive income

Statement of comprehensive income	Note	31/12/2014 (€K)
<b>Net income</b>		<b>-6 484</b>
<b>Items reclassified [or recycled] in net income:</b>		
Conversion adjustments		
Revaluation of financial assets classified as available for sale		
Fair value adjustments to hedging instruments		
Items from the share of other comprehensive income items		
Related taxes		
<b>Items not reclassified [or recycled] in net income:</b>		
Revaluation of the fixed assets		
Revaluations [or actuarial adjustments] with regard to defined benefit schemes		
Items from the share of other comprehensive income items		
Related taxes		
<b>Other comprehensive income</b>		
<b>Total net income (loss) and other comprehensive income</b>		<b>-6 484</b>

## 1.5. Statement of changes in shareholders' equity

Items	Capital and associated reserves			Reserves	Total profit or loss directly recognised under equity	Net income	Total equity
	Capital	Capital reserves	Treasury shares				
<b>Opening shareholders' equity</b>							
Capital increase	35 800						35 800
Cancellation of treasury shares							
Issue of preference shares							
Equity portion of hybrid instruments							
Share-based payment transactions							
Appropriation of N-1 income							
N distribution under N-1 income							
Changes in interests in subsidiaries without loss of control							
<b>Subtotal of movements linked to relations with shareholders</b>	<b>35 800</b>						<b>35 800</b>
Change in profit or loss directly accounted under equity							
Net income as at 31.12.2014						-6 484	-6 484
<b>Sub-total</b>	<b>35 800</b>					<b>-6 484</b>	<b>29 316</b>
Effect of acquisitions and the transfers of non-controlling shares							
Share of the change in equity of joint ventures and associates							
Other variations							
<b>Shareholder's equity as at 31 December 2014</b>	<b>35 800</b>					<b>-6 484</b>	<b>29 316</b>

Share capital is made up of 358 000 ordinary shares with a face value of 100 Euros per share. None of the Issuer's shares is held by it or by a subsidiary.

## 1.6. Cash flow statement

Items	31/12/2014 (€K)
<b>Pre-tax results</b>	<b>-9 726</b>
+/- Net depreciation on intangible and tangible fixed assets	117
- Depreciation of Goodwill and other fixed assets	-
+/- Net provisions and impairment	3
+/- Income share related to equity-consolidated companies	-
+/- Net profit/loss from investment activities	-88
+/- Finance activity expenses	63
+/- Other changes	-414
<b>= Total of the non-monetary elements included in the net income before tax and other adjustments</b>	<b>-320</b>
+/- Flow linked to transactions with credit institutions	-
+/- Flows linked to transactions with customers	-
+/- Flows related to the other transactions affecting financial assets or liabilities	9
+/- Flows related to the other transactions affecting non-financial assets or liabilities	-
- Taxes paid	-
<b>= TOTAL NET CASH FLOWS FROM TRANSACTION ACTIVITY (A)</b>	<b>-10 037</b>
+/- Flows related to financial assets and shareholdings	-30 667
+/- Flows related to investment property	-
+/- Flows related to tangible and intangible fixed assets	-4 914
<b>= TOTAL CASH FLOWS RELATED TO INVESTMENT ACTIVITIES (B)</b>	<b>-35 581</b>
+/- Cash flow from or to shareholders	35 800
+/- Other cash flows from financing activities	15 737
<b>= TOTAL CASH FLOW RELATED TO FINANCING ACTIVITIES (C)</b>	<b>51 737</b>

Items	31/12/2014 (€K)
<b>EFFECT OF EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS (D)</b>	
<b>Increase/Decrease in net cash and cash equivalents (A+B+C+D)</b>	<b>5 919</b>
Net cash flow generated by operational activity (A)	-10 037
Net cash flow related to investment transactions (B)	-35 581
Net cash flow related to financing activities (C)	51 537
Effect of exchange rate variation on cash and cash equivalents (D)	-
<b><u>Opening cash and cash equivalents</u></b>	<b>-</b>
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	-
<b><u>Closing cash and cash equivalents</u></b>	<b>5 919</b>
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	5 919
<b>VARIATION IN NET CASH FLOW</b>	<b>5 919</b>

The cash flow statement is presented according to the indirect method model.

Investment activities represent cash flows due to the acquisition and transfer of financial assets held to maturity and tangible and intangible fixed assets.

Financing activities are the result of changes related to financial transactions with equity and subordinated debt.

Operational activities include cash flows that are not included in the other two categories.

The concept of net cash flow includes cash, receivables and debts from central banks, and call accounts (assets and liabilities) of credit institutions.

## 2. NOTES TO THE FINANCIAL STATEMENTS

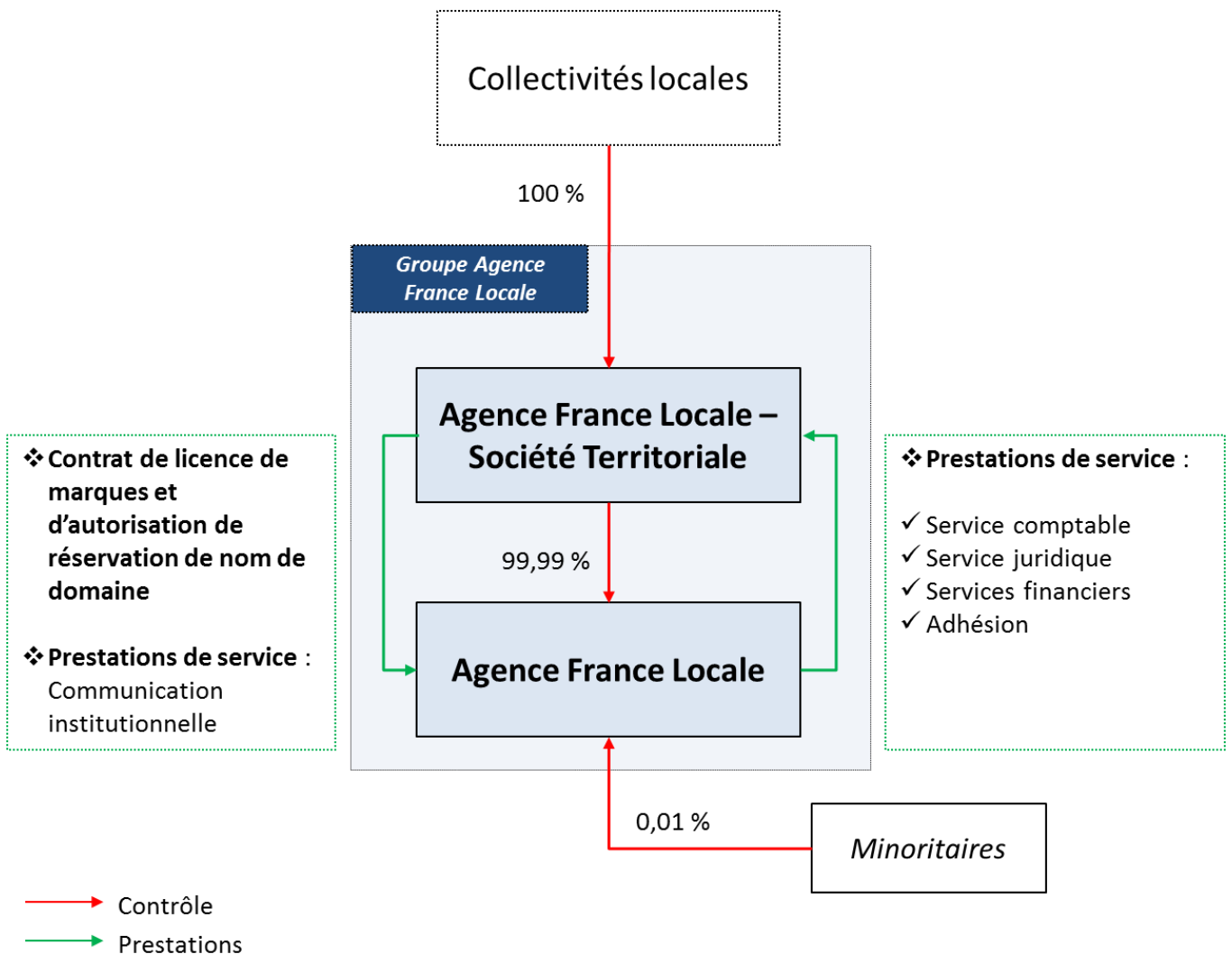
### 2.1. General background

#### 2.1.1. Presentation of AFL (“the Issuer”)

AFL (“the Issuer”) is the subsidiary company of the Agence France Locale - Société Territoriale (“ST”).

ST is a limited liability company (*Société Anonyme*) with a Board of directors, of which the shareholding is made up exclusively of Local Authorities that are members of AFL Group. ST is the majority shareholder of the Issuer. The Issuer is a limited company with Executive and Supervisory Boards.

The diagram below shows the structure of AFL Group:



Upon the Issuer's establishment, capital amounted to €50K. Following the extraordinary general meeting on 17 February 2014, a decision was made to increase the share capital by €16,950K. A second increase in share capital of €13 200K was decided on 24 June 2014. A third new issue of capital of €5 600K was decided on 25 November 2014.

As at 31 December 2014 share capital therefore amounted to €35 800K.

### 2.1.2. Operations

AFL Group aims to allow Local Authorities to be more financially independent, in particular by contributing to the diversification of their sources of finance.

The Issuer will finance its activities by raising funds on financial markets, thereby positioning itself as the ideal link between financial markets and the member authorities. The first loans to Local Authorities are scheduled for the first quarter 2015.

On 22 December 2014, the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) issued an approval to the Issuer certifying its status as a credit institution specialising in lending to French Local Authorities under the banking law of 24 March 1984. This approval will take effect following various administrative steps, including publication in a newspaper of a legal notice regarding the Issuer's new status.



### 2.1.3. Post-closing events

No major event occurred at the beginning of the 2015 financial year which is likely to have an impact on these accounts.

## 2.2. **Rules and accounting methods**

In accordance with IFRS 1 *First adoption of the international financial information standards* and pursuant to European regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and the European Council the Issuer has prepared its first financial statements in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) at 31 December 2014 and such as adopted by the European Union and whose application was mandatory at that date. IFRS includes IFRS and IAS (International Accounting Standards), and their IFRIC (International Financial Reporting Committee Interpretations) and SIC (Standing Committee Interpretations) interpretations.

As at 31 December 2014, the Issuer has applied the following standards:

<b>Standards</b>	
IFRS 1	<i>First adoption of the international financial information standards</i>
IAS 1	<i>Presentation of the financial statements</i>
IAS 32	<i>Financial instruments: Presentation</i>
IAS 39	<i>Financial instruments: Accounting and evaluation</i>
IFRS 7	<i>Financial instruments: Information required</i>
IFRS 13	<i>Fair value measurement</i>
IAS 19R	<i>Employee benefits</i>
IAS 17	<i>Leases</i>
IAS 24	<i>Related party disclosures</i>
IAS 38	<i>Intangible fixed assets</i>
IAS 12	<i>Income taxes</i>

In addition, the Issuer decided to apply in advance, on a voluntary basis, the following provisions published in the Official Journal of the European Union and whose application is compulsory only from the financial year beginning 1 January 2014.

- IFRS 10 *Consolidated financial statements* introduces a new definition of control based on power, exposure (and rights) to variable yields and the capacity to exercise this power to influence the yields. Consolidation principles and methods adopted by the Group are set out in paragraph 3.3.
- IFRS 12 *Disclosure of interests in other entities* includes all of the information to be provided in the notes with regard to subsidiaries, partnerships, associates and non-consolidated structured companies.

The summary financial statements are prepared in accordance with the format proposed by the French accounting standards authority (*Autorité des normes comptables*) in its recommendation no. 2013-04 of 7 November 2013 relating to the format of the accounts of banking institutions drawn up in accordance with international accounting standards.

### **2.3. Principles and methods**

#### **2.3.1. Financial assets and liabilities**

When first recorded in accounts, financial assets and liabilities are measured at fair value net of costs directly attributable to acquisition (with the exception of financial instruments recognised at fair value through profit or loss).

Assets and liabilities are classified in the following categories:

##### **2.3.1.1. Financial assets held-to-maturity**

Financial assets held to maturity are fixed or determinable income or maturity financial assets that the company intends and is able to hold until maturity. IAS 39 prohibits, except in limited cases, the disposal or transfer of these securities before maturity. Contravention of this standard is subject to a penalty barring the company from classifying securities in this category for two years.

Interest rate hedging transactions for this category of security do not qualify for hedge accounting as defined in IAS 39.

On the reporting date, the securities are valued at their amortised cost in accordance with the effective interest rate method, which includes amortisation of premiums and discounts corresponding to the difference between the acquisition value and the redemption value of these securities.

The income received from these securities is presented under the heading "Interest and similar income" in the financial statements.

In the event of an objective sign of depreciation, the depreciation is measured as the difference between the recorded amount and the estimated recoverable amount, discounted at the original effective interest rate. This depreciation is recorded in terms of the cost of risk. In case of subsequent improvement, the excess provision becomes unfounded and is written-back.

##### **2.3.1.2. Financial assets available for sale**

Pursuant to IAS 39, the Issuer classifies the following as "Financial assets available for sale":

- non-consolidated equity holdings
- marketable securities

These securities are recorded initially at their purchase price and fair value measurements and depreciation tests are carried out at the end of each reporting period.

If these securities are listed on an active market, the fair value recorded is equal to the market value of such securities. In the absence of listing on an active market, the fair value is determined by using the most appropriate valuation techniques: discounted cash flows, multiples of financial ratios (net positions, net customer exposures), net assets at adjusted book value, among others.

The difference between the fair value of securities on the period closing date and their net book value is accounted in equity, with the exception of depreciation.

The securities may depreciate if criteria for prolonged or significant loss in value are met. Meeting these criteria leads to a complementary individual qualitative analysis which can lead to a depreciation.

Depreciations are irreversible for capital securities. They are recorded in the statements within the net banking income in the section "Net losses or gains on financial assets available for sale". Once a security has been depreciated, any further depreciation must also be recorded in the statements.

### 2.3.1.3. Recording dates

AFL Group records securities held-to-maturity on the settlement date. Other securities, regardless of their type or category, are recorded on the trade date.

### 2.3.2. Tangible fixed assets

Tangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

Fixed asset	Amortisation period
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years

### 2.3.3. Intangible fixed assets

Computer software was recorded as an intangible fixed asset because it meets the following three criteria, pursuant to IAS 38:

- it is identifiable,
- it is controlled by the entity,
- it gives future economic advantages.

Intangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

Fixed asset	Amortisation period
Software	5 years
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years
Development expenses	5 years
Website	3 years

#### 2.3.4. Financial debts

Debts, which are not classified as fair value financial liabilities, are initially booked at cost, corresponding to the fair value of borrowed amounts net of transaction costs. At the financial year end they are recorded at their amortised cost in accordance with the effective interest rate method and booked under "Debts owed to credit institutions", "Debts owed to customers", "Debts represented by a security" or "Subordinated debts".

Debts to credit institutions are broken down according to their initial duration or their type: demand (demand deposits, current accounts) and term borrowings (special savings account).

#### 2.3.5. Guarantee commitments

According to IAS 39 a contract meets the definition of a financial guarantee if it includes an indemnity principle under which the issuer will reimburse the beneficiary for losses suffered as a result of a payment default by a specified debtor on a debt instrument.

#### 2.3.6. Determination of fair value or market value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the time of the initial accounting of an instrument, its fair value is generally the transaction price.

IFRS 13 primarily recommends the use of a price quoted on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if the prices are easily and regularly available from a stock market, broker (multi-contribution), trader, price evaluation service or regulatory agency, and if these prices represent actual transactions (in terms of volume, price) on the market under normal conditions of competition.

In the absence of an active market fair value must be determined using valuation techniques.

These techniques include the use of recent transactions in a context of normal competition. They are based on observable market data, the fair values of substantially identical instruments, cash flow discounting or option valuation models and use recognised valuation methods.

The aim of a valuation technique is to establish what the price of the instrument would have been in a normal market.

The quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

The fair value of the booked financial instruments in the statement at amortised cost is set out in an appendix.

#### 2.3.7. Interest income and expense

Interest income and expense is included in the financial statements for all financial instruments measured at amortised cost using the effective interest rate method. This interest income and expense is accounted net of the difference between the acquisition and redemption price, which is spread over the remaining life of the securities on a discounted basis.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument so as to obtain the net accounting value of the financial asset or liability. The calculation of this rate includes commissions received or paid and forming by their nature part of the effective rate of the contract.

#### 2.3.8. Corporation taxes

The relevant rate to determine the taxes payable is 33.1/3%, legal rate in force as at 31 December 2014.

### 2.3.9. Deferred taxes

In accordance with IAS 12, the income tax includes all taxes based on income, regardless of whether they are payable or deferred.

Adjustments due to the application of international standards, together with the differences between company and tax statements or between the values of assets and liabilities for tax or accounting purposes are temporary differences. Deferred taxes are assessed according to the "variable carry forward" method.

The active deferred taxes are booked when their chances of recovery are considered probable.

IAS 12 prohibits the discounting of deferred taxes.

### 2.3.10. Use of estimates in the preparation of the financial statements

The preparation of the financial statements requires assumptions and estimates to be made which imply uncertainties regarding their future updating. These estimates, on the basis of information available on the closing date, call for the exercise of judgement by those preparing and managing particularly during the fair value measurement of financial instruments.

Future updates depend on a number of factors: interest and exchange rate fluctuations, economic situation, changes to regulation or legislation, etc. This means that the definitive results from relevant activities may be different from these estimate and have an effect on the accounts.

Valuation of financial instruments that are not listed on organised markets is based on models of market data available for most over-the-counter instruments. Measuring some complex instruments that are not listed on an active market is based on valuation techniques which in some cases include non-observable parameters.

Information on the fair value of financial assets and liabilities booked at cost is set out in the appendix.

### 2.3.11. Retirement benefits and other employment liabilities

In accordance with IAS 19 - *Employee benefits*, in the context of defined benefit schemes, retirement and other related liabilities are evaluated by independent actuaries, according to the projected unit credit method.

Under this method, each period of service gives an additional unit of rights to benefits and each of these units is evaluated to obtain the final obligation. This final obligation is then discounted. These calculations mainly include:

- an assumption as to retirement start date,
- a financial discounting rate,
- a rate of inflation,
- assumptions on salary increases and staff turnover.

Actuarial profit and loss are generated by changes in assumptions or experience variances (difference between projected and actual) in respect of commitments or financial assets. These actuarial variations are booked under "Income and expenses recognised directly through equity", which are non-recyclable in the financial statements.

Therefore the net expense in relation to defined benefit retirement schemes corresponds to the sum of:

- the cost of past and performed services (in Operating income, under "General operating expenses - Staff"),
- the expense in relation to the accretion of the net obligation of the return on plan assets (in "Non-operating expenses", under "Return or expenses on employment liabilities").

These two components (accretion and return on assets) are determined on the basis of the discounting rate of the liabilities.

## 2.4. Notes on the balance sheet

### 2.4.1. Note 1: Financial assets

At 31 December 2014, the Issuer's financial assets comprise the following items (in €K):

Accounting category IAS 39	Fair value	Balance sheet value	Variation
Financial assets available for sale			0
Financial assets held-to-maturity*(1)	33 487	30 320	3 168

*\*Interest incurred on liabilities of €435k are excluded in determining the fair value.*

(1) Level 1 liabilities according to the IFRS 13 hierarchy:

- UNEDIC, rate: 2.375%, 10 year term
- AFD, rate: 2.25%, 12 year term
- OAT, rate: 3.5%, 12 year term

The 3 level hierarchy for fair value accounting of financial instruments on the balance sheet as defined by IFRS 13 is as follows:

- Level 1: Inputs are quoted prices in active markets for identical financial instruments
- Level 2: Inputs are quoted priced on active markets for similar financial instruments or inputs for which all significant data is based on observable market data.
- Level 3: Valuation techniques for which meaningful data is not based on observable market data.

The estimated fair values have been determined on the basis of available market information and appropriate valuation methods according to the type of instrument.

The fair values were determined on the basis of information available at the financial year end date and do not therefore take into account the effect of any subsequent variations.

At 31 December 2014, the primary assumption and valuation method used is the valuation of bond securities obtained from renowned financial institutions.

### 2.4.2. Note 2: Debts owed to banks and commitments received

The banks HSBC France and Natixis opened a bridging loan in the form of a revolving credit line of up to €25 000K. This credit revolving facility allows the Issuer (the borrower) to have a continuous reserve in an account.

The amount of commitments is spread as follows:

- HSBC France - up to €12 500K
- Natixis - up to €12 500K

As at 31 December 2014, €15 800 has been drawn down and is thus recorded as a financial debt. The Issuer has a permanent option to extend the term of the revolving credit facility to a maximum repayment date of 24 February 2016. The remaining amount of the facility is €9,200K. Interest accrued in respect of these debts is booked as related payables through profit or loss.

2.4.3. Note 3: Accruals and miscellaneous assets

Items	Amounts at 31/12/2014 (€K)	Term < 12 months (€K)	Term > 12 months (€K)
Guarantees and deposits paid	62	-	62
Trade payables - advances and instalments	35	35	-
Deductible VAT on goods and services	54	54	-
Carry forward VAT input credit	693	693	-
VAT refund	652	652	-
VAT on accrued invoices	40	40	-
Prepaid expenses	26	26	-
<b>Total</b>	<b>1 562</b>	<b>1 500</b>	<b>62</b>

2.4.4. Note 4: Accruals and miscellaneous assets

Items	Amounts at 31/12/2014 (€K)	Term < 12 months (€K)	Term > 12 months (€K)
Social welfare organisations	318	318	-
Suppliers	369	369	-
Suppliers - invoices not received	241	241	-
Staff - Salaries payable	5	5	-
Personnel - Paid-leave and compensatory time-off	25	25	-
Staff expenses payable	198	198	-
<b>Total</b>	<b>1 156</b>	<b>1 156</b>	<b>-</b>

2.4.5. Note 5: Tangible and intangible fixed assets

At 31 December 2014, tangible fixed assets comprise computer equipment, furniture, expenses for furnishing premises and depreciations, detailed as follows:

<b>Fixed assets</b>	<b>Amount (in €K)</b>
Tangible fixed assets	660
Tangible fixed assets in course of construction	3
<b>Gross value of the tangible fixed assets</b>	<b>663</b>
Depreciation of tangible fixed assets	-14
<b>Net value of the tangible fixed assets</b>	<b>649</b>

At 31 December 2014, intangible fixed assets comprise computer software and depreciation, detailed as follows:

<b>Fixed assets</b>	<b>Amount (in €K)</b>
Intangible fixed assets	4 129
Intangible fixed assets in progress	122
<b>Gross value of the intangible fixed assets</b>	<b>4 251</b>
Depreciation, impairment and provisions for intangible fixed assets	-103
<b>Net value of the intangible fixed assets</b>	<b>4 148</b>

2.4.6. Note 6: Deferred taxes

Deferred taxes comprise the following:

<b>Type</b>	<b>Deferred tax asset</b>	<b>Deferred tax liability</b>
Tax losses	2 682	-
Deferred taxes due to IFRS adjustments	560	-
<b>Total</b>	<b>3 242</b>	-

At 31 December 2014, the Group noted deferred tax assets corresponding to carry forward tax losses. At the end of the financial year, the Group considered it likely to recover these deficits. Projections of results prepared on the basis of the most recent forecasts indicate that the issuer's activities should generate sufficient taxable results to absorb all of the carry forward tax losses over a period of 3 years.



Notes relating to the income statement

2.4.7. Note 7: Interest payable, proceeds and similar charges

Items	Amounts at 31/12/2014	
	Proceeds	Expenses
Interest and similar income on treasury and interbank transactions	-	63
Interest and similar income on transactions with customers	-	-
Interest on hedging transactions	-	-
Interests on assets available for sale and held-to-maturity	425	-
<b>Total</b>	<b>425</b>	<b>63</b>

2.4.8. Note 8: Commissions

Items	Amounts at 31/12/2014	
	Proceeds	Expenses
Commissions on treasury and interbank transactions	-	53
Commissions on the provision of financial services	-	-
Commissions on securities transactions	-	-
Commissions on insurance services	-	-
Commissions on financial instruments	-	-
Other commissions	-	-
<b>Total</b>	<b>-</b>	<b>53</b>

2.4.9. Note 9: Operating proceeds and expenses

At 31 December 2014, the Issuer has 18 paid staff.

Items	Amounts
<b>Staff costs</b>	
Salaries	1 359
Retirement and similar expenses	142
Other employment expenses	485
<b>Total Staff Expenses</b>	<b>1 986</b>
<b>Administrative expenses</b>	
Taxes	19
External services	12 232
<b>Total Administrative Charges</b>	<b>12 250</b>
Chargeback and transfers administrative expenses	-4 317
<b>Total General Operating Expenses</b>	<b>9 920</b>

The section "External services" mainly comprises legal fees, expenses incurred in setting up the Issuer and establishing the target IT tool.

The charge backs and transfers of administrative expenses include €3 983K of expenses transferred in intangible fixed assets, representing, essentially, the amount of expenses related to IT systems.

2.4.10. Note 10: Staff-related liabilities: short-term benefits

At 31 December 2014, short-term staff benefits comprise:

Items	Amounts (€K)
Allowance and expenses for variable remuneration	188
Other staff benefits	36
<b>Total short-term benefits</b>	<b>224</b>

2.4.11. Note 11: Staff-related liabilities: post-employment benefits

For each defined benefit scheme, the Group makes an allowance equal to the liabilities, net of fair value of the scheme's financial assets.

At 31 December 2014, post-employment benefits for staff comprise:

Items	Amounts (€K)
<b>Post-employment benefits (1)</b>	<b>3</b>
Provision for retirement indemnities	3
<b>Total post-employment benefits</b>	<b>3</b>

(1) The valuation method used is the "Projected Unit Credit Method".

2.4.12. Note 12: Related party transactions

The Issuer's main managers are the Members of the Executive Board. The amount of remuneration to them was €582k during the financial year 2014. This amount corresponds only to short-term benefits and includes all forms of consideration paid by the Group, in exchange for services.

The total amount of directors' fees will be set at the Annual general meeting of the Issuer's shareholders convened to approve the 2014 company accounts.

(a) Auditors' report on the accounts established in accordance with IFRS standards at 31 December 2014.

**KPMG AUDIT FS I**

3, cours du Triangle  
92939 Paris La Défense

**Cailliau Dedouit et Associés**

19, rue Clément Marot  
75008 Paris

**AUDITORS' REPORT**

**ON THE ANNUAL FINANCIAL STATEMENTS ESTABLISHED ACCORDING TO IFRS**

**(Financial year ended 31 December 2014)**

To the Shareholders

**AGENCE FRANCE LOCALE**

Tour Oxygène  
10 12, boulevard Vivier Merle  
69393 LYON CEDEX 03

Dear Sirs

In our capacity as auditors of the company Agence France Locale and in response to your request in the context of your company's wish to give broad financial disclosure to investors, we have audited the annual accounts relating to the financial year ended 2014, prepared for the first time in accordance with IFRS standards such as adopted in the European Union, in the form attached to this report.

These annual financial statements were prepared under the responsibility of the Executive Board. Our role is to express an opinion on these annual accounts, based on our audit.

We carried out our audit according to professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves the verification, on a test basis or through the use of any other selection methods, of the evidence supporting the amounts and disclosures included in the financial statements. It also involves making an assessment of the accounting principles used and the significant estimates retained and appreciating their overall presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view, with regard to IFRS standards as adopted in the European Union, of the assets and financial position of the Company as at 31 December 2014 as well as the results of its activities over the year ended.

This report does not constitute the legally required audit report on the financial statements as required by French accounting rules and principles, issued pursuant to Article L.823-9 of the French *Code de Commerce*.

This report has been prepared for your attention in the context described above and must not be used, distributed or quoted for other purposes. We do not accept any responsibility with respect to any third party to whom this report is distributed or by whom it is seen.

This report is governed by French law. French courts have exclusive jurisdiction to hear any dispute, claim or litigation that may result from our engagement letter or this report, or from any related issue. Each party irrevocably renounces its rights to oppose proceedings brought before these courts, or to claim that the proceedings have been brought before a court without jurisdiction, or that these courts do not have jurisdiction.

Signed in Paris la Défense and in Paris on 3 February 2015

The Auditors

**KPMG Audit FS I**

**Cailliau Dedouit et Associés**

Fabrice Odent

Laurent Brun

## **9.2 Legal and arbitration proceedings**

The Agence France Locale Group companies may be involved in legal, administrative or arbitral proceedings in the normal course of business. A provision is set aside as soon as there is a sufficient likelihood that such proceedings may incur costs for one of the companies in the Agence France Locale Group, and that such costs can be reliably estimated.

To the Issuer's knowledge and as of the date of this Base Prospectus, there are no ongoing or pending legal, administrative or arbitral proceedings that may have a material impact on the Issuer's financial position or profitability.

## **9.3 Significant change in the financial or trading position**

No significant change has occurred in the financial or trading position of either the Issuer or ST since 31 December 2014.

## 10. ADDITIONAL INFORMATION

As of the filing date of this Base Prospectus, the Issuer is a French limited liability company with an Executive Board and Supervisory Board governed by applicable laws and regulations as well as its articles of association.

This section sets forth information pertaining to the articles of association and the financial authorisations as they exist as of the date hereof.

### 10.1 Share capital

As of the filing date of this Base Prospectus, the Issuer's share capital amounted to €35,800,000, divided into 358,000 shares of a par value of €100.00 each, all of the same class and fully subscribed and paid up.

### 10.2 Memorandum and articles of association

As of the filing date of this Base Prospectus, the Issuer is a French limited liability company (*société anonyme*) with an Executive Board and Supervisory Board governed by French law and registered with the Lyon Companies and Trade Register under number 799 379 649.

In accordance with the provisions of article 2 of the articles of association, the Issuer's corporate purpose consists of:

- obtaining a license from the ACPR to be able to carry out all or part of the transactions described below; and
- subject to the issue of such license carrying out all or part of the transactions described in accordance with the license's terms:
  - granting loans and, where applicable, receiving deposits and other repayable funds from the public as well as performing any related transaction in order to provide loans to the Local Authorities, provided that they are members as set forth in ST's articles of association;
  - borrowing funds, particularly through debt issuances with institutional and retail investors, or by any other means;
  - providing loans to Members;
  - providing support to Members in connection with their funding by the Issuer;
  - providing Members financial advice or any other financial or administrative service specifically related to any of the Company's financial, credit or loan transaction;
  - performing, if necessary, arbitration, brokerage and commission transactions;
  - providing ST, where necessary, certain administrative, legal, financial, accounting, business, management or consultancy resources and services; and
  - generally carrying out transactions of any kind, whether they be economic, legal, financial, civil or commercial in nature, that may be related, directly or indirectly, to any of the above purposes or to any similar or related purpose.

## **11. MATERIAL AGREEMENTS**

Other than the agreements described below and agreements entered into in the ordinary course of business, the Issuer has not entered into any material agreement containing provisions that would entail a material commitment or undertaking for the Issuer in terms of its ability to perform its commitments to the security holders with respect to the issued securities.

### **11.1 Agreements related to the set-up of the IT system**

In setting up its IT system, the Issuer has entered into contracts for supply, managed services and “software-as-a-service” (SaaS) hosting agreements with SAB Services, a recognised operator and publisher of banking software and Worldline (ATOS Group), a leader in the set-up and hosting of online portals and electronic payment solutions.

With regard to SAB Services, the Issuer benefits from:

- the provision of integrated banking software based on SAB-AT modules supplied as standard by SAB Services, and adapted to the needs of the Issuer, as set out in its technical specification;
- SaaS hosting of the banking solution, on the basis of the Issuer’s requirements particularly in terms of performance, service level, security and confidentiality of data and infrastructure, continuity and contingency plans in the event of system failures and system reversibility to allow, if necessary, for the Issuer to change supplier.

Worldline provides the Issuer with:

- the construction of a web portal to receive and process members’ requests and interconnected with the SAB-AT banking solution, designed on the basis of the Issuer’s technical specification;
- portal hosting and maintenance on the basis of the Issuer’s requirements particularly in terms of performance and service level, data and infrastructure security and confidentiality, continuity and contingency plans in the event of system failures and system reversibility to allow, if necessary, for the Issuer to change supplier.

For these purposes, the Issuer has entered into a long-term contract package (for a renewable period of six years and four months as from a provisional date set for the end of 2015 with SAB Services and a renewable 7 year period as from a provisional date set from July 2015 with Worldline).

Given the SaaS and managed services models that have been selected, some of the IT department's hardware (all of the necessary machines and hosting equipment for the business IT solution) is outsourced to these two service providers.

Sub-contractors of the service providers also provide certain functionalities and features.

The IT system is being developed in accordance with the guidelines validated by the Issuer. The main goal of these guidelines is to guarantee the performance, risk management, uniformity and scalability of the IT system.

## 11.2 Agreement related to the Issuer's internal control

The Issuer has outsourced the performance of the periodic controls to PricewaterhouseCoopers, under the supervision of its Risk, Compliance and Control Director.

In accordance with the French order of 3 November 2014 on internal control, the reporting entities must conduct periodic controls, the purpose of which, as set forth in the Issuer's Control Charter, will be to verify the efficiency of the procedures for risk management, compliance and permanent control.

The external auditor will conduct a review and an evaluation of these control procedures while keeping in mind the specific situation of the Issuer, whose operations are currently being launched. In the control that will be carried out in 2015, special focus will be placed on risk mapping, implementing processes and procedures, identifying controls and, above all, presenting conclusions as pragmatic and operational recommendations with a view to continuously improving the Issuer's control system.

## 12. OPERATIONAL MANAGEMENT

### 12.1 Asset and liability management

The Issuer has put in place an asset and liability management (ALM) system, the purpose of such system, with respect to its balance sheet mix and the risks to which it is exposed, is to minimise the exposure of its results and equity to market risks. This system is based on a framework of financial policies that aim to cover or manage all the risks arising from the Issuer's financial activities.

(i) Interest rate risk

The Issuer's balance sheet is comprised of:

- On the asset side:
  - Fixed-rate and floating-rate loans granted to the Members; and
  - fixed-rate securities (direct bonds) and floating rate securities (bonds, cash instruments) corresponding to the equity reinvestments and the cash surplus generated by an outstanding market debt higher than outstanding loans.
- On the liability side:
  - fixed-rate market debt (in Euro) and floating-rate market debt (in Euro and dollars); and
  - equity.

The Issuer is naturally exposed to an interest rate risk for both its asset positions (loans granted by the Issuer and securities in the liquidity reserve) and its liability positions (issued debt). It also carries a currency risk for its liability positions (bonds issued in foreign currencies). Consequently, the Issuer has set-up a hedging policy to cover interest rate and exchange rate risk to protect its balance sheet from unintended market fluctuations.

The fixed-rate securities in the equity investment portfolio is the only component of the balance sheet that is not hedged against interest rate risks as this portfolio is financed by equity used to stabilise the Issuer's net interest margin.

The Issuer's policy to hedge the interest rate risk is designed to minimise the exposure of its revenues and the value of its equity to an unfavourable fluctuation in interest rates, subject to the impact on the income statement of the methods used to value hedging instruments and hedged instruments by seeking to align on the same indices the exposures to assets and liabilities, by implementing:

- a micro-hedge systematically applied to fixed-rate debt to convert them into floating-rate debt mainly indexed on 3-month Euribor by using interest rate swaps;
- a micro-hedge for loans subscribed at a fixed rate to convert them into floating-rate loans (when the fixed-rate loans are small, the Issuer will use a macro-hedge on this set of loans);
- a macro-hedge on indexed positions on various reference rates in order to reduce the base interest rate risk.

(ii) Currency risk

The currency risk arises from the Issuer's assets and liabilities denominated in foreign currencies. The Issuer is exposed to the currency risk related to the bond issues in foreign currencies. The systematic use of micro-hedging currency swaps or cross currency swaps aims to neutralise the currency risk, subject to the impact on the income statement of the methods used to value hedging instruments and hedged instruments.

In order to optimise the management of the use of collateral related to the Issuer's significant reliance on hedging instruments under its interest rate and currency risk hedging policy, the Issuer shall as a matter of priority clear its hedging instruments through a Central Counterparty Clearing House (CCP) pursuant to the European Market Infrastructure Regulation (EMIR), as opposed to a bilateral arrangement (which it does not entirely exclude). All of the framework agreements implemented by the Issuer to manage these hedging instruments are reciprocal in nature and fully collateralised. The clearing of over-the-counter (OTC) and CCP transactions related to the exchange of collateral aims to significantly reduce the use of collateral due to offsetting positions to hedge the interest rates of instruments on the asset and liability sides.

(iii) Liquidity risk

Liquidity risk is divided into three types:

- *Illiquidity risk*: risk related to a temporary cash shortfall or otherwise stated the risk of the Issuer not being able to sell off an asset quickly and at a reasonable price on the market;
- *Funding liquidity risk*: risk related to the Issuer not being able to raise sufficient cash to honour its commitments, i.e., funding its needs under appropriate conditions;



- *Liquidity transformation risk* (also known as liquidity pricing risk): risk related to the loss in revenues incurred by an increase in refinancing spreads coupled with a transformation position that is too wide, i.e., an asset-liability mismatch which generally occurs when the assets are longer than the liabilities.

For this reason, the Issuer has implemented a liquidity policy with the main goal of ensuring that it has sufficient liquid assets to maintain its operations and, in particular, its lending activity, honour its debt repayments and/or pay the collateral linked to its hedging transactions. As there are no other deposits or resources other than market resources, it is of utmost importance that the Issuer has sufficient liquid assets at all times.

Within the context of this liquidity policy, the Issuer has set up a system with three-fold objectives:

- establishing a liquidity reserve comprised of liquid and marketable assets with a minimum threshold of 150% for the Liquidity Coverage Ratio and whose target size is equivalent to the net cash flows over a twelve-month rolling period;
- a funding strategy focused on diversified debt instruments (including Euro benchmark issuances and non-benchmark issuances in euro and foreign currencies, private placements, Schuldschein loans, etc.) as well as a diversified investor base, both in terms of type and geographic location;
- with the goal of reducing its liquidity transformation risk, the Issuer limits to one year the gap in the average duration between assets and liabilities, ensures strict monitoring over the contractual maturity spreads and maintains a Net Stable Funding Ratio (NSFR) of over 150%.

## 12.2 Investment policies for equity and liquid assets

The Issuer relies on the following guidelines to ensure that its liquid assets are freely negotiable and transferable at all times:

- transferability of assets in the liquidity portfolio;
- credit quality of the investment vehicles; and
- control of interest rate risk.

### (i) Equity investment policy

The equity investment portfolio primarily invests in long term fixed-rate instruments denominated in euros on the debt markets and is governed by the following rules:

- primarily but not exclusively comprised of public sector issuances of Euro-denominated bonds from the European Economic Area and North America and benefiting from a high credit quality assessed with the level of rating of these issuers;

- these instruments are carried at a fixed rate and are recognised on the balance sheet as held-to-maturity (HTM); and
- limits are assigned with respect to credit and counterparty risks (per issuer).

(ii) Investment policy for liquid assets

This portfolio invests in high quality assets and has two compartments:

- a compartment to ensure that there is sufficient cash and cash equivalents on a day-to-day basis: it is invested in a range of products including bank deposits, highly liquid securities with maturities of less than one year at Eonia and Euribor rates; and
- a compartment to ensure that there is sufficient cash and cash equivalents over the medium term: it will be invested in fixed-rate and floating-rate debt issued from the public sector in the European Economic Area and North America and benefiting from a high credit quality assessed with the level of rating of these issuers. These securities are swapped at variable reference rates in accordance with the Issuer's hedging policy for interest rate risk.

This management system used in the leading government agencies for local government funding and multilateral development banks has proved to be effective in ensuring these institutions' liquidity faced with numerous market factors, by minimising the impact on their profitability.

### 12.3 The Issuer's capital and liquidity requirements

(a) Guidelines

(i) Solvency ratio

For the purpose of the calculation, the ratio's denominator is comprised of the following three items:

- credit risk is calculated according to standardised approach;
- market risk does not apply to the Issuer as it does not have a trading portfolio; and
- operating risk is calculated using the basic indicator approach.

The Issuer commits to maintaining a Core Tier One ratio of 12.5% from the beginning of its operations, in accordance with prudential requirements.

(ii) Leverage ratio

The leverage ratio's numerator is the Core Tier One equity and its denominator is total assets. The Issuer has set objective that this ratio must at all times be higher than 3.5%, in accordance with prudential requirements.

(iii) Liquidity requirements

The 30-day Liquidity Coverage Ratio (LCR) is to ensure that each institution maintains a sufficient level of high-quality liquid assets to face a specific stress scenario over 30 days.

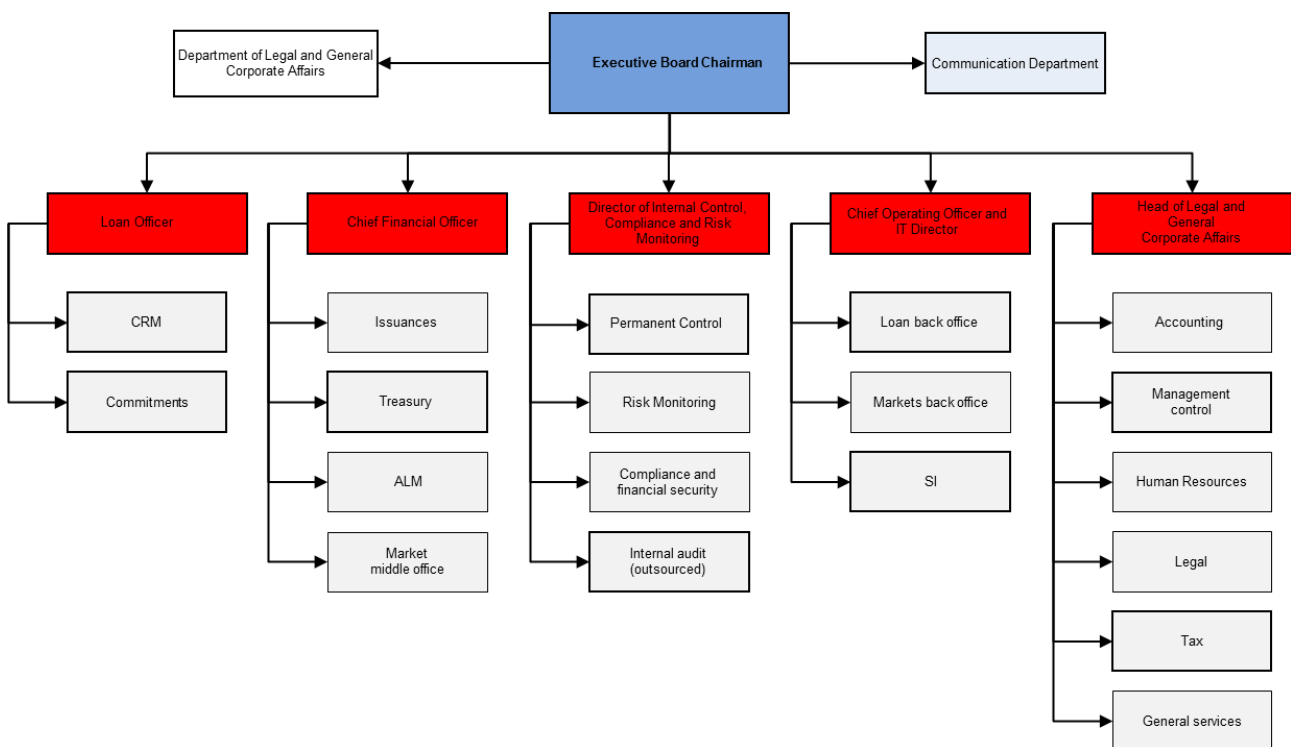
The one-year liquidity ratio (the Net Stable Funding Ratio or NSFR) ensures that the Issuer has stable funding to finance its stable assets.

The Issuer has set the objective of maintaining its liquidity ratios above 150%, in accordance with prudential requirements.

## 12.4 Organisational structure

The Issuer is the employer of the entire staff at the Agence France Locale Group.

As of the date of this Base Prospectus, the Issuer had 21 full-time equivalent employees. This number will gradually increase over time to reach approximately forty employees by 2017 according to the Issuers' current estimates.



## DESCRIPTION OF THE GUARANTORS AND THE GUARANTEE MECHANISM

### 1. DESCRIPTION OF THE GUARANTEE MECHANISM

The instruments issued by the Issuer benefit from a dual guarantee mechanism granted by (i) each of the Members (*Member Guarantees*) and (ii) ST (*ST Guarantee*):

- at the time of subscribing to a loan with the Issuer, each Member grants a guarantee commitment equal at all times to the amount of its outstanding indebtedness *vis-à-vis* the Issuer;
- ST grants a guarantee with an adjustable ceiling to be revised periodically and which will be disclosed in each issuance's final terms and conditions.

From an economic standpoint and to the extent that the amounts borrowed by the Issuer are supposed to be greater than the amounts it loans out to Members, the Issuer's bond issuances will never entirely be covered by the Member Guarantees. The business plan actually indicates, without constituting a commitment from the Issuer and pending the start-up of the Issuer's operations, that approximately 70% of the amount of borrowings subscribed for on the market by the Issuer with third parties would be used to extend loans to Members. The remaining 30% would be held back to ensure that the Issuer has available cash resources, in accordance with its regulatory obligations and good management practices.

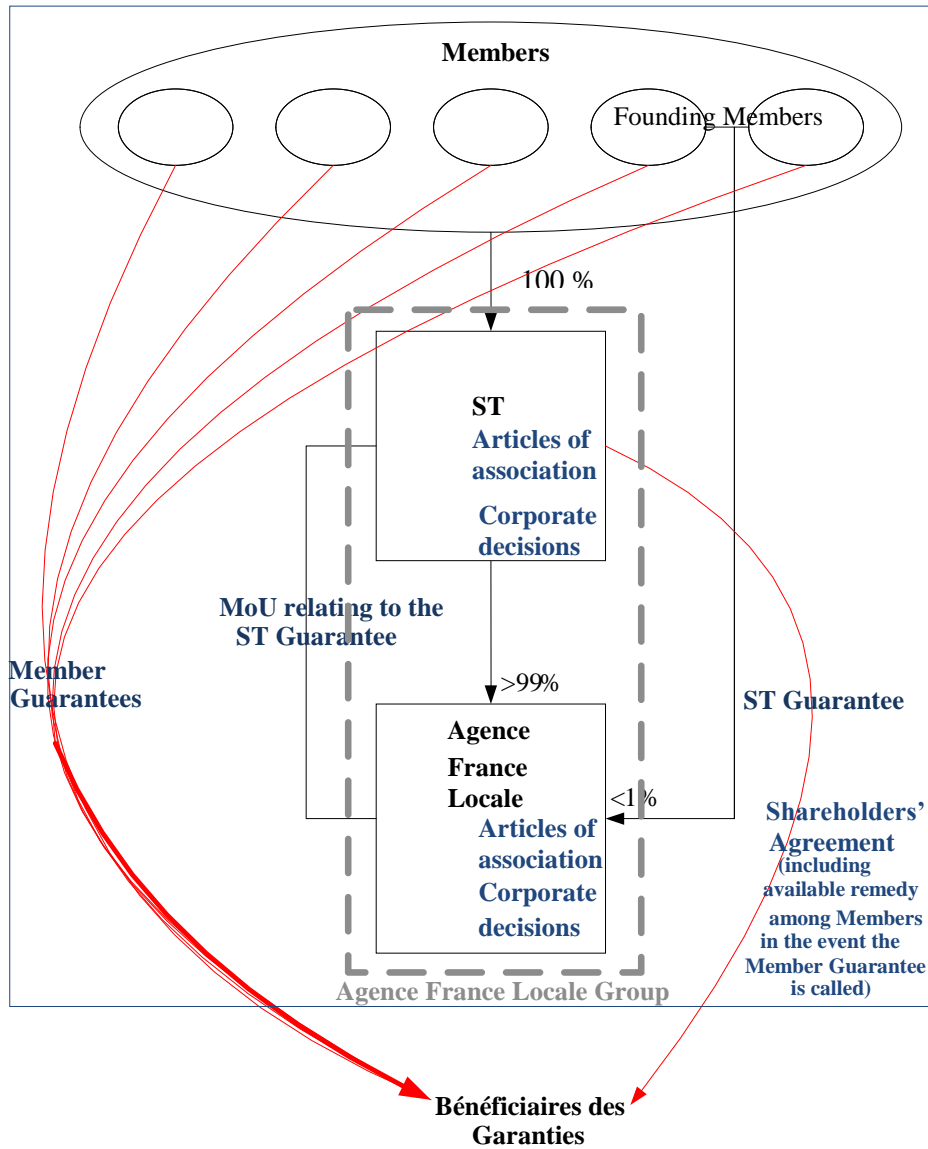
The ST Guarantee is based on a dual ceiling mechanism: a *theoretical* ceiling determined by ST's Board of Directors and an *actual* ceiling determined at the Issuer's discretion. The Issuer shall notify ST of the actual amount of the ceiling, which will then be disclosed in the Final Terms and Conditions for each issuance of Notes.

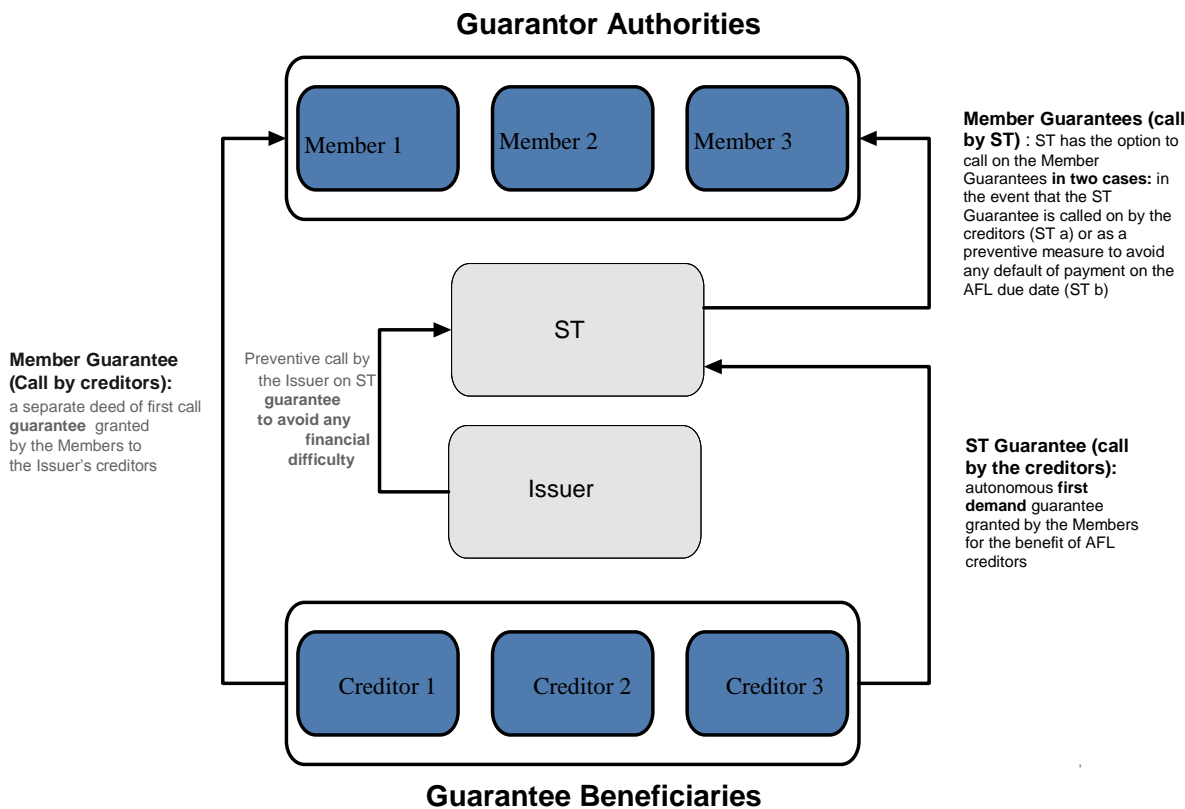
The guaranteed amount under the ST Guarantee is expected to be at least equal to the amount of the aggregate bond issuances (in principal, interest and incidentals) carried out by the Issuer.

As of the date of this Base Prospectus, the Issuer is authorised to use a theoretical ceiling of €3.5 billion when defining the ST Guarantee's ceiling amounts. This amount corresponds to an estimation of the Issuer's maximum exposure in accordance with the commitments that are expected to be subscribed for during 2015 and 2016 and which will be covered by the ST Guarantee, including its commitments with the bank counterparties under any existing hedging or cash management instruments. This amount will be reviewed annually and adjusted in line with the Issuer's business growth.

Under a memorandum of agreement relating to the ST Guarantee published on the Issuer's website, the Issuer has undertaken to ST, and not to any third party including the Noteholders, that the actual ceiling of the ST Guarantee will be at least equal to the amount of the aggregate bond issuances (in principal, interest and incidentals) carried out by the Issuer as well as to the other commitments the Issuer subscribes to that are covered by the ST Guarantee.

An overview of the contractual framework of the guarantees is presented below:





## 1.1 Member Guarantees

### (a) Principle

Each loan granted by the Issuer is contingent upon a guarantee commitment by the Member for a maximum amount corresponding to such funding. The amount of these guarantee commitments is capped at all times at the Member's total outstanding indebtedness *vis-à-vis* the Issuer.

From this principle, it therefore ensues that the total guaranteed amount pursuant to the Member Guarantees is at all times equal to the amount of the banking facilities extended by the Issuer to its Members. As of the date hereof and in light of the fact that the Issuer has not yet launched its operations, the Members' net outstanding indebtedness *vis-à-vis* the Issuer is nil; therefore, the amount covered by the Member Guarantees is currently nil.

Insofar as the Issuer intends to use only approximately 70% of its income from its financing sources (including the issuances carried out under this Programme) to grant loans to its Members, with the remaining portion to be invested in cash instruments to meet liquidity requirements, the total guaranteed amount under the Member Guarantees will therefore always be less than the amount of the Issuer's gross indebtedness, especially with respect to the Programme.

These commitment guarantees are governed by a form of autonomous first demand guarantee, which was defined by ST's Board of Directors upon a proposal from the Issuer's Executive Board with a recommendation from its Supervisory Board. These commitment guarantees are identical across the board except for their amounts and durations.

Prior to being granted, these commitment guarantees must first be approved by the Member's competent governance body. To this end, the Issuer has (i) designed a decision-making process under which each Member can approve its commitment guarantee and (ii) set up an internal monitoring process on the commitment guarantees entered into by Members.

(b) Main provisions

In accordance with the form of guarantee, the Member Guarantees are based on the following principles:

- Each Member Guarantee is an autonomous first demand guarantee pursuant to the provisions of Article 2321 of the French Civil Code (*Code civil*);
- Its beneficiaries are the holders of any issued instruments or co-parties to any of the deeds entered into by the Issuer stipulating that such instruments and/or deeds are covered by the Member Guarantees (the **Beneficiaries**). Hence, all of the holders of the instruments issued in accordance with this Base Prospectus are covered by the Member Guarantees;
- The activation of such a guarantee by a Beneficiary is exclusively contingent upon complying with the proper form and time period prescribed in such guarantee; and
- In the interest of full disclosure on the Beneficiaries, the Members' outstanding indebtedness *vis-à-vis* the Issuer and therefore their guarantee bases are published each business day on the Issuer's website.

In addition, a specific system for the drawdown of the Member Guarantees has been set up to notify any failure to pay on the Issuer's payment date.

Insofar as ST may, under certain conditions, call on the Member Guarantees on an early basis and even prior to a non-payment event by one of the Issuer's Beneficiaries, this system makes it possible to pro-actively keep watch for a potential event of default, thereby enabling the Issuer to take appropriate action in case of any problems. The option to call the Member Guarantee has therefore been extended to ST in the following cases:

- call of the ST Guarantee; and
- request to this effect from the Issuer. The reason behind this last case is so that Issuer pre-empts any potential financial difficulties and offers the possibility of calling on the Members prior to any event of default occurring.

The guarantee calls made by ST are neither for its benefit nor that of the Issuer: they are made on behalf of the Beneficiaries. The sums are thus deposited in an escrow account and are solely used to pay the Beneficiaries on the due date of their receivable, thereby avoiding any reduction to their guarantee base. The main terms and conditions of the escrow agreement will be made available on the Issuer's Website.

In cases where the Issuer makes a claim, the Shareholders' Agreement provides a system to distribute the claim evenly among the Members. In the case where a Beneficiary of the Member Guarantees directly makes the guarantee claim, it has the option of either claiming against a single Member for the full amount of its request (subject to such Member's applicable guarantee ceiling) or to distribute it among several Members.

(c) Available remedy of the Members called under the guarantees

In accordance with Clause 17.5.1.1 of the Shareholders' Agreement, in the event that the Member Guarantee is activated, the Members that were called shall have subrogation rights (*recours subrogatoire*) against the Issuer. However, in the interest of safeguarding the Issuer and ensuring its sustainability, each Member waives in advance:

- in accordance with clause 17.5.1.1 (a), any recourse against the Issuer for as long as the Issuer is in a financial position that prevents it from honouring its repayment obligation without undermining its ability to continue operating; and
- in accordance with clause 15.5.1.1 (b), any right to offset the receivable they hold pursuant to their right of subrogation *vis-à-vis* the Issuer with the debt repayment on their outstanding loans taken out with the Issuer.

While the Issuer does not directly benefit from the sums paid by the Members, such payments facilitates it in reducing its debt and ensures that its equity is at an appropriate level to its liabilities.

The Members that were liable, on the other hand, have a right to effective remedy against the other Members as a way to ensure that the guarantee mechanism operates as a whole and that the guarantee claims are evenly distributed. Each Member is ultimately expected to pay for the claims made in proportion to its outstanding loans as of the date of such claims.

ST handles and centralises the recovery of any payable sums between the Members in the interest of circumventing any inefficiencies or adverse consequences in the system. Hence, ST has a mandate to recover any amounts in the name of and on behalf of the Members that initiated collection procedures. Under the Shareholders' Agreement, each Member has entrusted ST with a mandate to recover any amounts that it may be due with respect of the collection of payments among Members. Each Member has undertaken to sign any appropriate document or deed to initiate the collection procedures.

## 1.2 ST Guarantee

The provisions of the ST Guarantee were defined and authorised by ST's Board of Directors upon a proposal from the Issuer's Executive Board with a recommendation from its Supervisory Board.

The Issuer has capped ST Guarantee's actual ceiling at a maximum of €3,500,000,000 (three billion five hundred million euros) and this ceiling will be disclosed each time there is an issuance of Notes.

Except for the terms used in calculating its base, the ST Guarantee is founded on principles that are very similar to the terms and conditions of the Member Guarantees.

- The ST Guarantee is an autonomous first demand guarantee pursuant to the provisions of Article 2321 of the French Civil Code (*Code civil*);
- Its beneficiaries are the holders of any issued instruments or co-parties to any of the contracts entered into by the Issuer stipulating that such instruments and/or contracts are covered by the ST Guarantee; these beneficiaries are the same entities which are also Beneficiaries of the Member Guarantees; and
- The activation of such a guarantee by a Beneficiary is exclusively contingent upon complying with the proper form and time period prescribed in such guarantee.



The Issuer also has the option of calling the ST Guarantee in the name of and on behalf of the Members. The sums are thus deposited in an escrow account and are solely used to pay the Beneficiaries on the due date of their receivable, thereby avoiding any reduction to their guarantee base. The main terms and conditions of the escrow agreement will be made available on the Issuer's Website.

### **1.3 Investor information related to the actual guarantees and the Members' financial position**

In addition to the disclosure in this Base Prospectus on the guarantees granted by the Members, the Issuer's Website ([www.agence-france-locale.fr](http://www.agence-france-locale.fr)) provides the Beneficiaries with further information on the guarantee systems and the guarantors.

In accordance with the provisions of the Member Guarantees and the ST Guarantee, the Issuer is required to publish and update the information so that that on a daily basis the Beneficiaries may access (i) the list of Members guaranteeing the Instruments and which may therefore be called upon and (ii) specific disclosure on the guarantee, particularly the amount, that each one of them as well as ST have granted.

The Issuer makes accessible to the Beneficiaries the following information related to disclosure on the actual guarantees and the Members' financial position:

(a) Investor information on the actual guarantees

(i) ST Guarantee

- the actual guarantee ceiling granted by ST on the second business day preceding the day on which the Website is updated or on any later date;
- the guarantee ceiling granted by ST as estimated between the tenth and thirtieth business day following the day on which the Website is updated if there are no issuances of new Notes covered by the ST Guarantee;
- the allocation of ST's commitments according to the version of the forms of guarantee (noting that in the event that ST and the Issuer decide to amend the ST Guarantee, the Beneficiaries could rely on the new version without it being enforceable by ST);
- the name and address of the individual to whom a guarantee claim must be sent for ST;
- the amount of the guarantees claims under the ST Guarantee of which it is aware.

The above information is updated each business day so that the Beneficiaries have access to the most recent information as possible.

(ii) Member Guarantees

- the actual outstanding indebtedness of each Member on the first business day preceding the day on which the Website is updated or on any later date;

- the estimated outstanding indebtedness of each Member, if there is no early repayment of all or part of the loan, on the tenth business day following the day on which the Website is updated;
- the breakdown of the Members' outstanding indebtedness according to the version of the forms of guarantee (noting that in the event that ST and the Issuer decide to amend form of guarantee agreement, the Beneficiaries could rely on the new version without it being enforceable by ST);
- the name and address of the individual to whom a guarantee claim must be sent for each Member;
- the amount of the guarantees claims under the Member Guarantees of which the Issuer is aware.

The above information is updated each business day so that the Beneficiaries have access to the most recent information as possible.

(b) Member's financial position

- the Member's legal population as of 1 January of the relevant financial year;
- a summary of the Member's operating revenues and expenses and investment revenues and expenditures of the relevant financial year;
- financial data to assess the Member's cash flow;
- data on the Member's debt as well as the related annual debt payments.

This information is updated each year in relation to the preceding year's data.

To ensure that the information is secured and accessible 24/7 to the Beneficiaries, the Issuer has entered into an agreement with an external IT service provider that is required to publish the aforementioned information on a backup website should the Issuer's Website fail.

Should the Issuer become financially impaired, this IT service provider shall be bound to maintain access to the information for a minimum period of six (6) months as from the start of any settlement or liquidation proceedings instigated against the Issuer. However, this information will be only be reflective as of the cut-off date on which the Issuer discontinued updating it and will therefore not include any subsequent calls.

In the event that the form of Member Guarantees or the form of ST Guarantee is amended, all the prior versions of such agreements will be accessible on the Website. The Beneficiaries will therefore be able to verify the contents of each of these agreements in relationship to the published information on the breakdown of the Members' outstanding indebtedness and ST's commitments. As a point in fact, a Beneficiary is not subject to any amendment made to these agreements subsequent to the date on which it became a Beneficiary. It may on the other hand avail itself to these amendments.

## 1.4 Guarantee Call

When the call is not decided upon by a company in the Agence France Locale Group, the Beneficiaries or their representatives may make the guarantee calls under the Member Guarantee and

the ST Guarantee pursuant to the terms of the issuance agreement and by using the form of documents appended to each of these guarantees.

Complying with the written instructions in these models is a precondition for the executed calls being recognised as valid.

The person making the guarantee call(s) is required to take the lead on such call(s) on the guarantors which it has selected. It is hereby stipulated that the caller must state that it did not call upon several guarantors to recover the same amount. The callers may factor into their decision-making process the following facts:

- The ST Guarantee base covers an amount specified in the final terms and conditions, which is supposed to be capped at all times at the total amount owed by the Issuer with respect to the Instruments that it issued;
- The Issuer's Website provides information on each Member's Guarantee base on a permanent basis;
- It may have to, in the event of a call of the Member Guarantee, divide its claims proportionately among several Members with respect to their base guarantees and that each call that a Member receives thereby reduces its commitment under its guarantee;
- ST (unlike the Local Authorities) is subject to French legislation on collective insolvency procedures and may enter into compulsory liquidation proceedings if it cannot honour its outstanding commitments with its available assets;
- ST has the option to call on Member Guarantees itself using objective criteria in the event that the ST Guarantee is activated and where it does not think that it alone can honour its own commitments.

## **2. ST MODEL GUARANTEE**

The text of the model guarantee granted by ST to the Beneficiaries is as follows:

## AUTONOMOUS FIRST DEMAND GUARANTEE

### BETWEEN

- (1) **AGENCE FRANCE LOCALE – SOCIÉTÉ TERRITORIALE**, a limited company with board of directors (*société anonyme à conseil d'administration*) whose registered office is located at 41 Quai d'Orsay, 75007 Paris, registered at the Paris Trade and companies register (*Registre du commerce et des sociétés*) under the number 799 055 629 (the **Guarantor** or **Société Territoriale**);

### AND

- (2) **AGENCE FRANCE LOCALE**, a limited company with executive board and supervisory board (*société anonyme à directoire et conseil de surveillance*) whose registered office is located at "Tour Oxygène", 10-12 Boulevard Vivier Merle, 69003 Lyon, registered at the Lyon Trade and companies register (*Registre du commerce et des sociétés*) under the number 799 379 649 (**Agence France Locale**);

### AND

### IN FAVOR OF:

- (3) any holder of any Guaranteed Instrument as set out in Article 4.1 (the **Beneficiary**) in the form of a third-party beneficiary stipulation, in accordance with the provisions of Article 1121 of the French Civil Code (*Code civil*).

### WHEREAS

- (A) Société Territoriale and Agence France Locale were respectively incorporated on 3 and 17 December 2013 with the objective of contributing to the financing of French local authorities (*collectivités territoriales*) and public inter-communal cooperative institutions that levy their own taxes (*établissements publics de coopération intercommunale à fiscalité propre*), in accordance with the provisions of Article 35 of law no. 2013-672 of 26 July 2013 governing the separation and regulation of banking activities (*loi de séparation et de régulation des activités bancaires*), which was codified in Article L. 1611-3-2 of the French Local Authority Code (*Code général des collectivités territoriales, CGCT*).
- (B) Société Territoriale holds the near totality of the share capital and voting rights in Agence France Locale and has decided to provide this guarantee in order to support the development of Agence France Locale.
- (C) Société Territoriale and Agence France Locale have furthermore entered into a memorandum of understanding relating to certain terms of application of this guarantee (the **Memorandum of Understanding**) which does not constitute an enforceable document against the Beneficiary.

### IT HAS THEREFORE BEEN AGREED AS FOLLOWS

## SECTION I

### DEFINITIONS AND INTERPRETATION

#### 1. DEFINITIONS

Terms with a capital letter used in this Guarantee shall have the meaning as assigned to them below:

*Actual Guarantee Ceiling* shall have the meaning assigned to it in Article 5.1;

*Agence France Locale* shall have the meaning assigned to it as set out in this Guarantee;

*Agence France Locale Group* shall collectively mean Société Territoriale and Agence France Locale;

*Appendix* shall mean an appendix to this Guarantee;

*Article* shall mean an article of this Guarantee;

*Beneficiary* shall have the meaning assigned to it as set out in this Guarantee;

*Business Day* shall mean any day other than Saturdays, Sundays, public holidays or days on which banks are either required or authorised to close in France;

*Expiry Date* shall have the meaning assigned to it in Article 5.2;

*Guarantee* shall mean the autonomous first demand guarantee provided by the Guarantor pursuant to the provisions hereunder;

*Guarantee Call* shall mean any call under this Guarantee made in accordance with the provisions of the Guarantee;

*Guaranteed Instruments* shall have the meaning assigned to it in Article 4.1;

*Guarantor* shall have the meaning assigned to it as set out in this Guarantee;

*Individual Ceiling* shall have the meaning assigned to it in Article 5.2;

*Local Authority* shall mean French local authorities (*collectivités territoriales*) and public inter-communal cooperative institutions that levy their own taxes (*établissement public de coopération intercommunale à fiscalité propre*) as well as any entity that would be authorised under the law to participate in the mechanism implemented by the Agence France Locale Group;

*Maximum Guarantee Ceiling* shall have the meaning assigned to it in Article 5.1;

*Member* shall mean any Local Authority belonging to the Agence France Locale Group in accordance with the articles of association and the Shareholders' Agreement;

*Member Guarantee* shall mean any guarantee provided by a Member in relation to the financial obligations of Agence France Locale;

*Memorandum of Understanding* shall have the meaning assigned to it in paragraph (C) of the preamble to this Guarantee;

**Party** shall mean the Guarantor, Agence France Locale and any Beneficiary which has agreed to become a party to this Guarantee;

**Representative** shall have the meaning assigned to it in Article 7;

**Shareholders' Agreement** shall mean the shareholders' agreement entered into by Members of the Agence France Locale Group, Société Territoriale and Agence France Locale;

**Site** shall have the meaning assigned to it in Article 5.4;

**Société Territoriale** shall have the meaning assigned to it as set out in this Guarantee;

**Statement of Guarantee** shall have the meaning assigned to it in Article 5.2.

## **2. RULES OF INTERPRETATION**

### **2.1 General Principles**

#### **2.2 The meaning of the defined terms applies to both the singular and plural of the said terms and, where applicable, to any masculine and feminine forms.**

2.1.1 The meaning of the defined terms applies to both the singular and plural of the said terms and, where applicable, to any masculine and feminine forms.

2.1.2 The headings used in this model guarantee have been included for readability purposes only and shall not affect either the meaning or interpretation of this Guarantee.

2.1.3 Unless otherwise required by the particular context, all references to legal provisions equally apply to any amendment, substitution or codification, provided that any such amendment, substitution or codification is applicable or may become applicable to the transactions covered by this Guarantee.

2.1.4 All references to another document shall equally apply to any amendments or substitutions of the said document.

2.1.5 Examples following the terms "include", "including", "notably", "in particular" and other similar terms shall not be exhaustive.

### **2.3 Authorisation**

On 5 June and 18 November 2014, in accordance with the provisions of Article L. 225-35 of the French Commercial Code (*Code de commerce*), the Board of Directors of Société Territoriale authorised the granting of a guarantee to Agence France Locale, the maximum amount of which is equal to that of the Maximum Guarantee Ceiling.

## **SECTION II TERMS AND CONDITIONS OF THE GUARANTEE**

### **3. PURPOSE OF THE GUARANTEE**

The Guarantor unconditionally and irrevocably undertakes to pay any Beneficiary, on first demand, any amount specified in the Guarantee Call up to a maximum of the Actual Guarantee Ceiling as set out in Article 5. The Guarantee Call must strictly comply with the requirements set out in Section III of this Guarantee.

#### 4. **BENEFICIARIES OF THE GUARANTEE**

4.1 The Guarantee is provided for the benefit of any person or entity holding an eligible instrument, where the holding of such an eligible instrument is the result of:

- (a) the account registration in the register held by Agence France Locale or by a financial intermediary as a holder of a financial security, the terms of which specify that the said person or entity is eligible to benefit under the Guarantee; or
- (b) holding of a document signed by Agence France Locale specifying that the said document confers eligibility to benefit under the Guarantee;

(hereafter a *Guaranteed Instrument*).

4.2 The Guarantee relates to existing Guaranteed Instruments and to any future Guaranteed Instruments or those yet to be issued.

#### 5. **GUARANTEE CEILING**

5.1 The guarantee ceiling (the *Actual Guarantee Ceiling*) provided by the Guarantor shall at any time be equal to the sum of Individual Ceilings (as defined below) notified by Agence France Locale to the Guarantor, of which the Expiry Date (as defined below) is yet to occur, less any Guarantee Call excluding the Guarantee Call for the purposes of which the Actual Guarantee Ceiling is to be calculated.

Under no circumstances may the Actual Guarantee Ceiling exceed the maximum amount of three billion five hundred million (3,500,000,000) euros (the *Maximum Guarantee Ceiling*). Should the sum of Individual Ceilings (as defined below) exceed the Maximum Guarantee Ceiling, the Actual Guarantee Ceiling shall be equal to the Maximum Guarantee Ceiling.

**5.2 Whenever a Guaranteed Instrument is issued or created, Agence France Locale will forward to Société Territoriale a declaration (the *Statement of Guarantee*) which shall contain:**

- (a) the maximum amount guaranteed by Société Territoriale as a result of the issue or creation of the said Guaranteed Instrument (the *Individual Ceiling*);
- (b) the date upon which the commitment relating to the Individual Ceiling expires (the *Expiry Date*).

5.3 The Individual Ceiling is established on a discretionary basis by Agence France Locale according to the nature and terms of the Guaranteed Instrument and to the sums that may become due in principal, interest and accessories under the Guaranteed Instrument. Except in the case of manifest abuse, the setting of an Individual Ceiling shall automatically increase the Actual Guarantee Ceiling.

5.4 It is furthermore specified that any Beneficiary may at any time within the context of a Guarantee Call claim the sum of the Guarantee Ceiling as published by Agence France Locale on its website (the *Website*) in accordance with Article 16.1, where such a figure shall be deemed to be authentic unless any Party is able to prove otherwise.

#### 6. **LEGAL NATURE OF THE GUARANTOR'S OBLIGATION**

6.1 This Guarantee constitutes an autonomous guarantee within the meaning of Article 2321 of the French Civil Code (*Code civil*).

- 6.2 Consequently, the Guarantor may not oppose or claim any exception or objection of any nature whatsoever (excluding those set out in Article 2321 of the French Civil Code (*Code civil*)), and notably any exception or objection that Agence France Locale may hold against the Beneficiary, subject, however, to compliance with the provisions of this Guarantee.
- 6.3 Subject to the provisions of Article 14, all the provisions of this Guarantee shall remain fully effective irrespective of any changes to the financial, legal or any other position of Agence France Locale or of the Guarantor. The Guarantee shall in particular retain its full effect *vis-à-vis* the Beneficiaries should Agence France Locale request the appointment of an ad hoc administrator (*mandataire ad hoc*) or conciliator (*conciliateur*) (or should it be the subject of any such request), or enter into an agreement with its creditors, or be the subject of any of the proceedings set out in Book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*).

### **SECTION III CALL OF THE GUARANTEE**

#### **7. PERSONS AUTHORISED TO CALL THE GUARANTEE**

This Guarantee may be called by the following persons or entities:

- (a) any Beneficiary, in their own interests;
- (b) the collective representative or any person or entity authorised to exercise warranties or guarantees on behalf of the Beneficiaries, in accordance with applicable law or with the provisions of the Guaranteed Instruments (the **Representative**) and on behalf of the persons or entities they are authorised to represent; or
- (c) Agence France Locale, on behalf of any Beneficiary.

#### **8. CONDITIONS OF THE GUARANTEE CALL**

The Guarantee Call is not subject to any conditions.

#### **9. TERMS AND CONDITIONS OF CALLS**

##### **9.1 Principle**

A payment demand that both in substance and form meets the conditions set out in this document (including Guarantee Call standard form in the Appendix) shall constitute a Guarantee Call for the purposes of this Guarantee (a **Guarantee Call**). The Guarantee may be called on one or more occasions.

All Guarantee Calls must be denominated in euros (EUR) or in any other currency which is legal tender in France.

All Guarantee Calls must be written in French.

Any payment request that fails to comply with these requirements will not be accepted as valid and will be deemed not to have been issued.



## 9.2 Call by the Beneficiaries

Any Guarantee Call by a Beneficiary must be issued in writing and strictly comply with the standard form in Appendix B, which must be signed by a person duly authorised by the Beneficiary concerned.

Any Guarantee Call by a Beneficiary will be deemed to be invalid unless accompanied by the following documents:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) for Guaranteed Instruments issued in the form of financial securities, the account registration certificate;
- (c) a sworn statement by the originating party claiming the occurrence of a payment default, where any such declaration shall not undermine the autonomous nature of the Guarantee;
- (d) a sworn statement by the originating party that no Guarantee Call has taken place under one or more Member Guarantees with a view to recovering the same sums (or that any such calls have not been honoured in accordance with the terms of the said guarantees); under no circumstances may any such declaration prejudice the right of the Beneficiary to divide its call;
- (e) the details of the accounts to which the amounts called are to be transferred, subject to the terms of the Guaranteed Instruments concerned not requiring payment via a securities clearing or settlement system.

## 9.3 Call by a Representative

Any Guarantee Call by a Representative must be issued in writing and strictly comply with the standard form in Appendix C, which must be signed by the Representative or by a person duly authorised by the Representative in accordance with applicable statutory provisions.

Any Guarantee Call by a Representative will be deemed to be invalid unless accompanied by the following documents:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders or, where applicable, details of allocation and payment if the Guaranteed Instruments are admitted to a clearing or settlement system;
- (c) a sworn statement by the Representative claiming the occurrence of a payment default, where any such declaration shall not undermine the autonomous nature of the Guarantee;
- (d) a sworn statement by the Representative that no Guarantee Call has taken place under one or more Member Guarantees with a view to recovering the same sums (or that any such calls have not been honoured in accordance with the terms of the said guarantees); under no circumstances may any such declaration prejudice the right of the originating party to divide its call;

- (e) the details of the accounts to which the amounts called are to be transferred, subject to the terms of the Guaranteed Instruments concerned not requiring payment via a securities clearing or settlement system;
- (f) a copy of the document by which the Representative was appointed or is entitled to act on behalf of the Beneficiaries.

#### **9.4 Call by Agence France Locale**

Any Guarantee Call by Agence France Locale must be made in writing and strictly comply with the standard form in Appendix D, which must be signed by the chairman of the Board of Agence France Locale or by any other person duly authorised to this effect in accordance with the applicable statutory provisions.

Any Guarantee Call by Agence France Locale will be deemed to be invalid unless accompanied by the following documents:

- (a) a cash flow forecast for the coming twelve (12) months;
- (b) an income statement forecast for the coming twelve (12) months;
- (c) a copy of the legal documents relating to the Guaranteed Instruments, with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (d) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders or, where applicable, details of allocation and payment if the Guaranteed Instruments are admitted to a clearing or settlement system;
- (e) the details of the account opened with the Caisse des Dépôts et Consignations on behalf of the holders of the Guaranteed Instruments as set out in paragraph (d) above, to which the amounts called are to be transferred accompanied by a copy of the payment instruction set out in Article 9.4.3.

In the event of a Guarantee Call, at the same time as the Guarantee Call Agence France Locale shall instruct Caisse des Dépôts et Consignations to pay the holders of Guaranteed Instruments as set out in Article 9.4.2(d) on the date on which the amounts called are due for payment by Agence France Locale.

The call notification must also specify the date by which payment of the amounts called must have been made.

### **SECTION IV PAYMENT UNDER THE GUARANTEE**

#### **10. PAYMENT DATE**

##### **10.1 Payment in the event of a call by the Beneficiaries or their Representatives**

In the event of a Guarantee Call by the Beneficiaries or their Representatives, the Guarantor must pay the amount called within five (5) Business Days of the date of receipt of the Guarantee Call.

In accordance with the provisions of the Member Guarantees, Société Territoriale may call on the Members with a view to obtaining payment of the amounts covered by this Article 10.1. Amounts actually paid by the Members within this context shall be deemed to have been paid by Agence

France Locale under this Guarantee and shall consequently release Société Territoriale from its obligations under the relevant Guarantee Call.

## **10.2 Payment in the event of a call by Agence France Locale**

In the event of a Guarantee Call by Agence France Locale, the Guarantor must pay the called amount within fifteen (15) Business Days of the date of receipt of the Guarantee Call or by any later date stipulated in the Guarantee Call.

In accordance with the provisions of the Member Guarantees, Société Territoriale may call on the Members with a view to obtaining payment of the amounts covered by this Article 10.2. Amounts actually paid by the Members within this context shall be deemed to have been paid by Agence France Locale under this Guarantee and shall consequently release Société Territoriale from its obligations under the relevant Guarantee Call.

## **11. PAYMENT TERMS**

### **11.1 Account and payment method**

The funds must be paid by bank transfer to the account specified in the Guarantee Call.

### **11.2 Currency of payment**

The funds must be paid in euros (EUR) or in any other currency which is legal tender in France.

## **SECTION V DURATION OF THE GUARANTEE**

## **12. EFFECTIVE DATE**

This Guarantee shall become effective on the date of signature by the Parties.

## **13. INDEFINITE DURATION**

The Guarantee is provided for an indefinite duration.

## **14. TERMINATION**

14.1 The Guarantee may be terminated at any time by Société Territoriale or Agence France Locale with a notice period of forty-five (45) Business Days, unless agreed otherwise by Société Territoriale and Agence France Locale.

14.2 Termination of the Guarantee does not restrict the ability of the holders of Guaranteed Instruments to make calls in respect of any Guaranteed Instrument which pre-dates the termination date.

14.3 Conversely, no person or entity may invoke the Guarantee in respect of any financial security or document which post-dates the termination date.

14.4 The Guarantee may not be the subject of any Guarantee Call after the Expiry Date as stated in the last Statement of Guarantee issued prior to the termination of the Guarantee.

## **SECTION VI RECOURSE**

### **15. SUBROGATION**

In the event of any amount being paid under a Guarantee Call, the Guarantor is subrogated to the rights of the Beneficiary up to the amount paid and based on the Guaranteed Instrument on which the Guarantee Call is founded.

## **SECTION VII COMMUNICATIONS**

### **16. INFORMATION FOR BENEFICIARIES**

16.1 Agence France Locale undertakes to ensure that the following information is publicly accessible on its Website at all times:

- (a) the Actual Guarantee Ceiling on the second (2<sup>nd</sup>) Business Day preceding the day on which the Website is updated or on any later date;
- (b) the Actual Guarantee Ceiling as estimated on the tenth (10<sup>th</sup>) and thirtieth (30<sup>th</sup>) Business Day following the date on which the Website is updated, in the absence of the issue of any new Statement of Guarantee; and
- (c) in the event of an amendment to this Guarantee or of it being replaced by a new guarantee, the allocation of the commitments of Société Territoriale by guarantee;
- (d) the address and person to whom a Guarantee Call must be sent;
- (e) the total amount of Guarantee Calls of which it is aware.
- (f) Agence France Locale undertakes to update the Website every Business Day.

### **17. PUBLICATION**

Agence France Locale is authorised to bring to the attention of any Beneficiary, by any appropriate means of its own choice, the existence and the terms of this Guarantee.

### **18. NOTIFICATION**

18.1 Any notification or communication under this Guarantee, including any Guarantee Call, must be made in writing and sent as the issuer of the notification may choose:

- (a) by registered letter with request for acknowledgement of receipt;
- (b) hand-delivered against a receipt, whether by the issuer itself, its agent or courier service; or
- (c) by a court official.

18.2 Any communication made or document sent by one party to another under or in relation to the Guarantee shall become effective from:

- (a) its receipt as evidenced by the acknowledgement of receipt, by any other form of receipt or by the court official;

- (b) the Business Day following notification as certified by confirmation of submission, a third party or a court official.
- 18.3 Any notification or communication to the Guarantor, Agence France Locale or Société Territoriale must be sent to the address specified on the Website.
- 18.4 By way of exception to the aforementioned provisions, the notification of any new Statement of Guarantee by Agence France Locale to Société Territoriale pursuant to Article 5 shall be deemed to have been validly made simply by a declaration complying with the standard form in Appendix A being made available online on the Website.

## **SECTION VIII FINAL PROVISIONS**

### **19. TAXES AND DUTIES**

- 19.1 Any payments due by the Guarantor shall be made without any withholding tax or tax or duty of any kind raised, levied or collected by or on behalf of the State or by any of its authorities authorised to levy any such tax or duty, unless such withholding or other tax is provided for by law or any applicable international treaty.
- 19.2 If, pursuant French legislation, the payments owed by the Guarantor under the Guarantee were to be subject to a withholding or other tax or duty of any kind, the Guarantor shall not make any additional payments in respect thereof.

### **20. APPLICABLE LAW AND COMPETENT COURTS**

- 20.1 This Guarantee shall be governed by French law.
- 20.2 Any dispute related to this Guarantee shall fall under the jurisdiction of the competent *Tribunal de grande instance*.

**APPENDIX A**  
**FORM OF STATEMENT OF GUARANTEE**



**STATEMENT OF GUARANTEE**

**AGENCE FRANCE LOCALE**, a limited company with executive board and supervisory board (*société anonyme à directoire et conseil de surveillance*) whose registered office is located at "Tour Oxygène", 10-12 boulevard Vivier Merle, 69003 Lyon, registered at the Lyon Trade and companies register (*Registre du commerce et des sociétés*) under the number 799 379 649 (*Agence France Locale*), pursuant to the autonomous first demand guarantee dated 20 February 2015 provided by Société Territoriale (the *Guarantee*):

- hereby notifies the issue or creation of a new Guaranteed Instrument;
- sets the guarantee commitment resulting from this decision at the amount of \_\_\_\_\_ (\_\_\_\_\_) euros<sup>24</sup> (the *Individual Ceiling*);
- decides that the commitment relating to the Individual Ceiling shall expire on \_\_\_\_\_ (the *Expiry Date*);
- declares that the Guarantee Ceiling as from today's date amounts to \_\_\_\_\_ (\_\_\_\_\_) euros<sup>24</sup>.

This Statement of Guarantee shall be governed and interpreted in accordance with French law.

Any dispute regarding notably the validity, interpretation or performance of this Statement of Guarantee shall be brought before the competent court within the jurisdiction of the Court of Appeal of Paris (*Cour d'appel de Paris*).

Done in [●]

On [●]

For Agence France Locale

<sup>24</sup> The amount must be specified in both numbers and words.

**APPENDIX B**  
**FORM OF GUARANTEE CALL**  
**CALL BY A BENEFICIARY**

To: Agence France Locale – Société Territoriale  
Partie A For the attention of the Chief Executive Officer  
Partie B [Contact details of Société Territoriale as appears on the Website]

**Date:** [insert date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you on 20 February 2015 (version 2014.1) (the **Guarantee**) in respect of which we declare that we accept the benefits and all the stipulations contained therein.
2. Unless otherwise defined in this Guarantee Call, the capitalised terms and expressions used below shall have the meaning assigned to them in the Guarantee.
3. We ask you to pay in lieu of Agence France Locale the amount of [state the amount] euros (the **Amount Claimed**). Details regarding the Amount Claimed and the Guaranteed Instruments are as follows:

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guaranteed Instrument	Amount outstanding (principal)	Amount outstanding (interest)	Other outstanding due amounts (late payment interest, charges, etc.)	Total amount outstanding

*\*where applicable*

4. We certify that, as of the date hereof and without undermining the autonomous nature of the Guarantee,
  - (a) the Amount Claimed is due and payable in accordance with Article(s) [insert article number(s)] of the terms and conditions of the Guaranteed Instruments [where the Guaranteed Instruments were issued under various issue programmes, specify these programmes and their terms and conditions] [and which has not been paid for a period of over [\_\_\_] Business Days after its due date (after expiry of applicable grace periods and

amicable settlement periods as provided for by the terms and conditions of the Guaranteed Instruments)]; and

(b) the Amount Claimed has not been the subject of any payment demand under any Member Guarantee (or such payment demands have not been honoured in accordance with the terms of the said Member Guarantees).

5. In accordance with Article 9.2 of the Guarantee please find enclosed:

(a) a copy of the legal documents relating to the Guaranteed Instruments, with an indication of the clause stipulating that the said instruments benefit from the Guarantee;

(b) for Guaranteed Instruments issued in the form of financial securities, the account registration certificate;

(c) a sworn declaration by the originating party stating the occurrence of a payment default;

(d) details of the bank account to which the called sums are to be transferred.

6. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed.

7. In accordance with the terms of Article 10.1 of the Guarantee, the Amount Claimed must be paid within five (5) Business Days of the date of receipt of this Guarantee Call.

8. [The Amount Claimed must be paid to the bank account with the following references: ***[insert account IBAN number]***, opened on the books of ***[insert the name of the bank]***.]<sup>25</sup>

Yours faithfully,

---

Partie C For ***[Insert name of Beneficiary]***

in the capacity of Beneficiary

By: ***[Insert name of signatory]***

Job title: ***[Insert job title of signatory]***

Partie D

<sup>25</sup> Where the terms and conditions of the Guaranteed Instruments do not require payment via a settlement or clearing system.



**APPENDIX C**  
**FORM OF GUARANTEE CALL**  
**CALL BY A REPRESENTATIVE**

To: Agence France Locale – Société Territoriale  
For the attention of the Chief Executive Officer  
[Contact details of Société Territoriale as appears on  
the Website]

**Date:** [insert the date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you on 20 February 2015 (version 2014.1) (the **Guarantee**) in respect of which we announce that we accept the benefits and all of its provisions in the name and on behalf of the Guaranteed Instrument holders whom we represent.
2. Unless otherwise defined in this Guarantee Call, the capitalised terms and expressions used below shall have the meaning assigned to them in the Guarantee.
3. We hereby state that, as of the date of this document, Agence France Locale has not paid the sum of [specify amount] euros (the **Amount Claimed**) to the **Guaranteed Instrument holders whom we represent. Details regarding the Amount Claimed and the Guaranteed Instruments are as follows:**

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guaranteed Instrument	Amount outstanding (principal)	Amount outstanding (interest)	Other outstand ing due amounts (late payment interest, charges, etc.)	Total amount outstanding
		Partie E					

*\* where applicable*

4. We certify that, as of the date hereof and without undermining the autonomous nature of the Guarantee,
  - (a) the Amount Claimed is due and payable in accordance with Article(s) [insert article number(s)] of the terms and conditions of the Guaranteed Instruments [where the Guaranteed Instruments were issued under various issue programmes, specify these programmes and their terms and conditions] [and which has not been paid for a period of over [\_\_\_] Business Days after its due date (after expiry of applicable grace periods and

amicable settlement periods as provided for by the terms and conditions of the Guaranteed Instruments)]; and

- (b) the Amount Claimed has not been the subject of any payment demand under any Member Guarantee (or such payment demands have not been honoured in accordance with the terms of the said Member Guarantees).

5. In accordance with Article 9.3 of the Guarantee please find enclosed:

- (a) a copy of the legal documents relating to the Guaranteed Instruments, with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders;
- (c) a sworn declaration by the Representative stating the occurrence of a payment default;
- (d) details of the bank account to which the called sums are to be transferred;
- (e) a copy of the document by which the Representative was appointed or is entitled to act on behalf of the Beneficiaries.

6. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed

7. In accordance with the terms of Article 10.1 of the Guarantee, the Amount Claimed must be paid within five (5) Business Days of the date of receipt of this Guarantee Call.

8. [The Amount Claimed must be paid to the bank account with the following references: **[insert account IBAN number]**, opened on the books of **[insert the name of the bank].**]<sup>26</sup>

Yours faithfully,

---

Partie F **For** **[Insert name of Representative]**

in their capacity of [specify the capacity of the Representative providing them with the authority to act]

By: **[Insert name of signatory]**

Job title: **[Insert job title of signatory]**

Partie G

<sup>26</sup> Where the terms and conditions of the Guaranteed Instruments do not require payment via a settlement or clearing system.

**APPENDIX D**  
**FORM OF GUARANTEE CALL**  
**CALL BY AGENCE FRANCE LOCALE**

To: Agence France Locale – Société Territoriale  
For the attention of the Chief Executive Officer  
[Contact details of Société Territoriale as appears on  
the Website]

**Date:** [insert date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you on 20 February 2015 (version 2014.1) (the *guarantee*).
2. Unless otherwise defined in this guarantee call, the capitalised terms and expressions used below shall have the meaning assigned to them in the guarantee.
3. **We ask you to pay the amount of [state the amount] euros (the amount claimed)** to the holders of guaranteed instruments. Details regarding the amount claimed and the guaranteed instruments are as follows:

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guaranteed Instrument	Amount (principal)	Amount (interest)	Other due amounts (late payment interest, charges, etc.)	Total amount

\* where applicable

4. In accordance with Article 9.4 of the Guarantee please find enclosed:
  - (a) a cash flow forecast for the coming twelve (12) months;
  - (b) an income statement forecast for the coming twelve (12) months;
  - (c) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders;
  - (d) the details of the account opened with [Caisse des Dépôts et Consignations] in the name of Société Territoriale and on behalf of the holders of the Guaranteed Instruments as set out in paragraph 9.4.2(d) above, to which the amounts called are to be transferred accompanied by a copy of the payment instruction set out in Article 9.4.3.

5. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed.
6. In accordance with the terms of Article 10.2 of the Guarantee, the Amount Claimed must be paid [within five (5) Business Days of the date of receipt of this Guarantee Call/on \_\_\_\_\_].
7. [The Amount Claimed must be paid to the bank account with the following references: ***insert account IBAN number***], opened on the books of the Caisse des dépôts et consignations.

Yours faithfully,

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**Partie H For Agence France Locale**  
By: ***[Insert name of signatory]***  
Job title: ***[Insert job title of signatory]***

### **3. MEMBER MODEL GUARANTEE**

The text of the model guarantee granted by the Members to the Beneficiaries is as follows.

## AUTONOMOUS FIRST DEMAND GUARANTEE

### BETWEEN

- (1) The Local Authority having signed a Guarantee Commitment (the *Guarantor*);

### AND

- (2) **AGENCE FRANCE LOCALE**, a limited company with executive board and supervisory board (*société anonyme à directoire et conseil de surveillance*), whose registered office is located at "Tour Oxygène", 10-12 Boulevard Vivier Merle, 69003 Lyon, registered at the Lyon Trade and companies register under the number 799 379 649 (*Agence France Locale*);

### IN THE PRESENCE OF:

- (3) **AGENCE FRANCE LOCALE**, a limited company with executive board and supervisory board (*société anonyme à directoire et conseil de surveillance*), whose registered office is located at "Tour Oxygène", 10-12 Boulevard Vivier Merle, 69003 Lyon, registered at the Lyon Trade and companies register under the number 799 379 649 (*Agence France Locale*);

### IN FAVOR OF :

- (4) Any Holder of any Guaranteed Instrument as set out in Article 4.1 (the *Beneficiary*) in the form of a third-party beneficiary stipulation, in accordance with the provisions of Article 1121 of the French Civil Code (*Code civil*).

### WHEREAS

- (A) Société Territoriale and Agence France Locale were respectively incorporated on 3 and 17 December 2013 with the objective of contributing to the financing of French local authorities (*collectivités territoriales*) and public inter-communal cooperative institutions that levy their own taxes (*établissements publics de coopération intercommunale à fiscalité propre*), in accordance with the provisions of Article 35 of law no. 2013-672 of 26 July 2013 governing the separation and regulation of banking activities, codified in Article L. 1611-3-2 of the French Local Authority Code (*Code général des collectivités territoriales, CGCT*).
- (B) The Guarantor is a Member of the Agence France Locale Group and intends to benefit from financing granted by Agence France Locale.
- (C) In accordance with statutory provisions, the articles of association of Société Territoriale and the shareholders' agreement entered into by the Members of the Agence France Locale Group, Société Territoriale and Agence France Locale (the *Shareholders' Agreement*), the status as a full Member of the Agence France Locale Group and the benefit of financing granted by Agence France Locale are subject to each Member providing a guarantee in accordance with the model established by the Board of Directors of Société Territoriale.

### IT HAS THEREFORE BEEN AGREED AS FOLLOWS

## SECTION I DEFINITIONS AND INTERPRETATION

### 1. DEFINITIONS

Terms with a capital letter used in this Guarantee shall have the meaning as assigned to them below:

**Actual Reimbursement** shall mean any amounts actually paid to the Guarantor by other Members, Agence France Locale, Société Territoriale or any entity that would have benefited from any undue payment under this Guarantee;

**Agence France Locale Group** shall collectively mean Société Territoriale and Agence France Locale;

**Agence France Locale** shall have the meaning assigned to it as set out in this Model Guarantee;

**Appendix** shall mean an appendix to this Guarantee;

**Article** shall mean an article in this Model Guarantee;

**Beneficiary** shall have the meaning assigned to it as set out in this Model Guarantee;

**Business Day** shall mean any day other than Saturdays, Sundays, public holidays or days on which banks are either required or authorised to close in France;

**Call Request** shall have the meaning assigned to it in Article 8.3;

**Expiry Date** shall have the meaning assigned to it in Article 13.1;

**Guarantee** shall mean the autonomous first demand guarantee provided by the Guarantor pursuant to the terms of its Guarantee Commitment(s) and this Model Guarantee;

**Guarantee Call** shall mean any call under this Guarantee made in accordance with the provisions of the Guarantee;

**Guarantee Ceiling** shall have the meaning assigned to it in Article 5;

**Guarantee Commitment** shall mean the guarantee commitment conforming to the standard form in Appendix A in this Model Guarantee duly signed by the Guarantor;

**Guaranteed Instruments** shall have the meaning assigned to it in Article 4.1;

**Guarantor** shall have the meaning assigned to it as set out in this Model Guarantee;

**Initial Ceiling** shall have the meaning assigned to it in Article 5;

**Local Authority** shall mean French local authorities (*collectivités territoriales*) and public inter-communal cooperative institutions that levy their own taxes (*établissements publics de coopération intercommunale à fiscalité propre*) as well as any entity that would be authorised under the law to participate in the mechanism implemented by the Agence France Locale Group;

**Member** shall mean the Guarantor as well as any Local Authority belonging to the Agence France Locale Group in accordance with the articles of association of Société Territoriale and the Shareholders' Agreement;

**Model Guarantee** shall mean this document governing the terms and conditions of the Guarantee provided by the Guarantor under one or more Guarantee Commitments;

**Outstanding Indebtedness** shall mean the total of any amount due at any time by the Guarantor in principal, interest and incidentals to Agence France Locale;

**Party** shall mean the Guarantor, Agence France Locale and any Beneficiary which has agreed to become a party to this Guarantee;

**Reimbursement Request** shall mean the amount of any reimbursement request made to the Guarantor by or in the name of one or more other Members within the framework of the mechanism described in Article 16;

**Representative** shall have the meaning assigned to it in Article 7;

**Shareholders' Agreement** shall have the meaning assigned to it in paragraph (C) of the preamble to this Model Guarantee;

**Site** shall have the meaning assigned to it in Article 5.2(c);

**Société Territoriale** shall have the meaning assigned to it as set out in this Model Guarantee.

**Société Territoriale Guarantee** shall mean any guarantee provided by Société Territoriale in relation to the financial obligations of Agence France Locale;

## **2. RULES OF INTERPRETATION**

### **2.1 General Principles**

The meaning of the defined terms applies to both the singular and plural of the said terms and, where applicable, to any masculine and feminine forms.

The headings used in this Model Guarantee have been included for readability purposes only and shall not affect either the meaning or interpretation of this Model Guarantee.

Unless otherwise required by the particular context, all references to legal provisions equally apply to any amendment, substitution or codification, provided that any such amendment, substitution or codification is applicable or may become applicable to the transactions covered by this Model Guarantee.

All references to another document shall equally apply to any amendments or substitutions of the said document.

Examples following the terms "include", "including", "notably", "in particular" and other similar terms shall not be exhaustive.

### **2.2 Model Guarantee and Declarations of Guarantee**

This Guarantee is based on the Model Guarantee, version 2014.1, as established by the Board of Directors of Société Territoriale on [●] 2014.

On the conclusion of any contract or deed increasing the Outstanding Indebtedness of credit granted to a Member, the latter shall be invited to sign a Guarantee Commitment under which it shall undertake to provide a Guarantee pursuant to and in accordance with the provisions of this Model



Guarantee, up to a maximum of the sum of Initial Ceilings stipulated in the said Guarantee Commitment and in previous and non- expired Guarantee Commitments.

Although each Guarantee Commitment shall be signed as of the conclusion of a contract or deed increasing the Guarantor's Outstanding Indebtedness, the commitment of the said Guarantor shall only be determined by the actual Outstanding Indebtedness of credit and not by the validity of the contracts or deeds giving rise to the increase.

Each Guarantee Commitment shall be authorized by the competent body of the Guarantor, where required on a collective basis, so as to guarantee the validity of the commitment of the said Guarantor.

### **2.3 Plurality of Model Guarantees**

Each Guarantee Commitment and the Model Guarantee together constitute an indivisible whole and no Model Guarantee not expressly accepted by the Guarantor in a Guarantee Commitment may be enforced against it.

Should a Guarantee Commitment be entered into by the Guarantor which refers to a Model Guarantee other than version 2014.1, the Outstanding Indebtedness of the said Guarantor will be dealt with on an individual basis.

Holders of Guaranteed Instruments dating from before the signature of the Guarantee Commitment referring to a Model Guarantee later than version 2014.1 may in respect of the totality of the Outstanding Indebtedness invoke either the Model Guarantees previously accepted by the Guarantor in a Guarantee Commitment or the later Model Guarantee also accepted by the Guarantor in a Guarantee Commitment, it being specified, however, that all Guarantee Calls must only refer to a single Model Guarantee.

The holders of Guaranteed Instruments dating from after the signature of the Guarantee Commitment referring to a Model Guarantee later than version 2014.1 may only invoke the later Model Guarantee.

## **SECTION II TERMS AND CONDITIONS OF THE GUARANTEE**

### **2. PURPOSE OF THE GUARANTEE**

- 3.1 The Guarantor unconditionally and irrevocably undertakes to pay any Beneficiary, on first demand, any amount specified in the Guarantee Call up to a maximum of the Guarantee Ceiling as set out in Article 5. The Guarantee Call must strictly comply with the requirements set out in Section III of this Guarantee.

### **3. BENEFICIARIES OF THE GUARANTEE**

- 4.1 The Guarantee is provided for the benefit of any person or entity holding an eligible instrument, where the holding of such an eligible instrument is the result of:
- (a) the account registration in the register held by Agence France Locale or by a financial intermediary as a holder of a financial instrument, the terms of which specify that the said person or entity is eligible to benefit under the Guarantee;

- (b) holding of a document signed by Agence France Locale specifying that the said document confers eligibility to benefit under the Guarantee;

(hereafter a Guaranteed Instrument).

4.2 The Guarantee relates to existing Guaranteed Instruments and to any future Guaranteed Instruments or those yet to be issued.

#### **4. GUARANTEE CEILING**

5.1 The Guarantee ceiling (the *Guarantee Ceiling*) provided by the Guarantor shall at any time be equal to the total amount of its Outstanding Indebtedness *vis-à-vis* Agence France Locale:

- (a) less any Guarantee Call, excluding the Guarantee Call for the purposes of which the Guarantee Ceiling is to be calculated;
- (b) plus any payment received by the Member in question pursuant to any Actual Reimbursement;
- (c) less any Reimbursement Request.

#### **5.2 It is furthermore specified that:**

- (a) elements which lead to a reduction in the Guarantee Ceiling are no longer enforceable against Beneficiaries from the date on which they made the Guarantee Call;
- (b) in the event of multiple Guarantee Calls and/or Reimbursement Requests,
  - (i) in order to calculate the Guarantee Ceiling, demands received on the Business Day preceding the calculation date shall be taken into account;
  - (ii) demands received after the Business Day preceding the calculation date shall not be taken into account and, where the Guarantee Ceiling is less than the total of the said demands, the Guarantor's payment obligation shall benefit the Beneficiaries in proportion to their individual demands;
- (c) any Beneficiary may at any given time within the context of a Guarantee Call claim the estimated Outstanding Indebtedness as of the tenth (10<sup>th</sup>) Business Day following the date of the Guarantee Call, as published by Agence France Locale on its website (the *Website*) for each Member in accordance with Article 17.1, where such figures shall be deemed to be authentic unless any Party is able to prove otherwise

5.3 In order to avoid the possibility of any ambiguity, under no circumstances may the Guarantee Ceiling exceed the sum of each Initial Ceiling as set out in each Guarantee Commitment whose Expiry Date is not yet to fall.

#### **5. LEGAL NATURE OF THE GUARANTOR'S OBLIGATION**

6.1 This Guarantee constitutes an autonomous guarantee within the meaning of Article 2321 of the French Civil Code (*Code Civil*).

6.2 Consequently, the Guarantor may not oppose or claim any exception or objection of any nature whatsoever (excluding those set out in Article 2321 of the French Civil Code (*Code Civil*)), and

notably any exception or objection that Agence France Locale may hold against the Beneficiary, subject, however, to compliance with the provisions of this Guarantee.

- 6.3 Subject to the provisions of Article 14, all the provisions of this Guarantee shall remain fully effective irrespective of any changes to the financial, legal or any other position of Agence France Locale or of the Guarantor. The Guarantee shall in particular retain its full effect *vis-à-vis* the Beneficiaries should Agence France Locale request the appointment of an ad hoc administrator (*mandataire ad hoc*) or conciliator (*conciliateur*) (or should it be the subject of any such request), or enter into an agreement with its creditors, or be the subject of any of the proceedings set out in Book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*).

### **SECTION III CALL OF THE GUARANTEE**

#### **6. PERSONS AUTHORISED TO CALL THE GUARANTEE**

This Guarantee may be called by the following persons or entities:

- (a) any Beneficiary, in their own interests;
- (b) the collective representative or any person or entity authorised to exercise warranties or guarantees on behalf of the Beneficiaries, in accordance with applicable law or with the provisions of the Guaranteed Instruments (the **Representative**) and on behalf of the persons or entities they are authorised to represent; or
- (c) Société Territoriale, on behalf of any Beneficiary.

#### **7. CONDITIONS OF THE GUARANTEE CALL**

##### **8.1 Call by the Beneficiaries**

The Guarantee Call by the Beneficiaries is not subject to any conditions.

##### **8.2 Call by Representatives**

The Guarantee Call by Representatives is not subject to any conditions.

##### **8.3 Call by Société Territoriale**

Société Territoriale may decide to call the Guarantee only in the following circumstances:

- (a) in the event of the Société Territoriale Guarantee being called;
- (b) in the event of Agence France Locale requesting a Guarantee Call (a **Call Request**).

#### **8. TERMS AND CONDITIONS OF CALLS**

##### **9.1 Principle**

A payment demand that both in substance and form meets the conditions set out in this document (including Guarantee Call standard forms in the Appendix) shall constitute a Guarantee Call for the purposes of this Guarantee (a **Guarantee Call**). The Guarantee may be called on one or more occasions.

Any Guarantee Call exceeding the Guarantee Ceiling shall be deemed to have been made for an amount equal to the Guarantee Ceiling without undermining its validity.

All Guarantee Calls must be denominated in euros (EUR) or in any other currency which is legal tender in France.

All Guarantee Calls must specify the Model Guarantee on which it is based. However, and in accordance with the provisions of Article 2.2, any Guarantee Call may benefit from the total amount of the Guarantee Ceiling, including in circumstances where the Guarantee Ceiling is the result of multiple Guarantee Commitments on the part of the Guarantor.

All Guarantee Calls must be written in French.

Any payment request that fails to comply with these requirements will not be accepted as valid and will be deemed not to have been issued.

## **9.2 Call by the Beneficiaries**

Any Guarantee Call by a Beneficiary must be issued in writing and strictly comply with the standard form in Appendix B, which must be signed by a person duly authorised by the Beneficiary concerned and be notified to the Guarantor with a copy to Société Territoriale.

Any Guarantee Call by a Beneficiary will be deemed to be invalid unless accompanied by the following documents:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) for Guaranteed Instruments issued in the form of financial securities, the account registration certificate;
- (c) a sworn statement by the Beneficiary specifying
  - (i) the occurrence of a payment default, where any such declaration shall not undermine the autonomous nature of the Guarantee;
  - (ii) that no Guarantee Call has taken place under the Société Territoriale Guarantee with a view to recovering the same sum (or that any such call has not been honoured in accordance with the terms of the said Société Territoriale Guarantee); under no circumstances may any such declaration prejudice the right of the Beneficiary to divide its call;
  - (iii) that no Guarantee Call has taken place under guarantees provided by other Members with a view to recovering the same sum (or that any such calls have not been honoured in accordance with the terms of the said guarantees); under no circumstances may any such declaration prejudice the right of the Beneficiary to divide its call;
- (d) the details of the accounts to which the amounts called are to be transferred, subject to the terms of the Guaranteed Instruments concerned not requiring payment via a securities clearing or settlement system

### 9.3 Call by a Representative

Any Guarantee Call by a Representative must be issued in writing and strictly comply with the standard form in Appendix C, which must be signed by the Representative or by a person duly authorised by the Representative in accordance with applicable statutory provisions and be notified to the Guarantor with a copy to Société Territoriale.

Any Guarantee Call by a Representative will be deemed to be invalid unless accompanied by the following documents:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders or, where appropriate, details of allocation and payment if the Guaranteed Instruments are admitted to a clearing or settlement system;
- (c) a sworn statement by the Representative specifying
  - (iv) the occurrence of a payment default, where any such declaration shall not undermine the autonomous nature of the Guarantee;
  - (v) that no Guarantee Call has taken place under the Société Territoriale Guarantee with a view to paying the same sum (or that any such call has not been honoured in accordance with the terms of the said Société Territoriale Guarantee); under no circumstances may any such declaration prejudice the right of the originating party to divide its call;
  - (vi) that no Guarantee Call has taken place under guarantees provided by other Members with a view to paying the same sum (or that any such calls have not been honoured in accordance with the terms of the said guarantees); under no circumstances may any such declaration prejudice the right of the Beneficiary to divide its call;
- (d) the details of the accounts to which the amounts called are to be transferred, subject to the terms of the Guaranteed Instruments concerned not requiring payment via a securities clearing or settlement system;
- (e) a copy of the document by which the Representative was appointed or is entitled to act on behalf of the Beneficiaries.

### 9.4 Call by Société Territoriale

Any Guarantee Call by Société Territoriale must be made in writing and strictly comply with the standard form in Appendix D, which must be signed by the Managing Director (*Directeur Général*) of Société Territoriale or by any other person duly authorised to this effect in accordance with the applicable statutory provisions.

Any Guarantee Call by Société Territoriale resulting from a call of the Société Territoriale Guarantee shall be invalid unless accompanied by the following documents:

- (a) a copy of the call received within the context of the Société Territoriale Guarantee, including its appendices or a copy of the Call Request issued by Agence France Locale, excluding its appendices;

- (b) a sworn statement by the originating party confirming the Société Territoriale Guarantee Call or the existence of a Call Request;
- (c) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders or, where appropriate, details of allocation and payment if the Guaranteed Instruments are admitted to a clearing or settlement system;
- (d) the details of the account opened with the Caisse des Dépôts et Consignations on behalf of the holders of the Guaranteed Instruments as set out in paragraph (c) above, to which the amounts called are to be transferred accompanied by a copy of the payment instruction set out in Article 9.4.3.

In the event of a Guarantee Call, at the same time as the Guarantee Call, Société Territoriale shall instruct Caisse des Dépôts et Consignations to pay the holders of Guaranteed Instruments as set out in Article 9.4.2(c) on the date on which the amounts called are due for payment by Agence France Locale.

The call notification must also specify the date by which payment of the amounts called must have been made.

The form and terms of Call Requests shall be established by the Board of Directors and do not represent a condition of validity of the Guarantee Call made by Société Territoriale.

#### **SECTION IV PAYMENT UNDER THE GUARANTEE**

### **9. PAYMENT DATE**

#### **10.1 Payment in the event of a call by the Beneficiaries or their Representatives**

In the event of a Guarantee Call by the Beneficiaries or their Representatives, the Guarantor must pay the amount called within five (5) Business Days of the date of receipt of the Guarantee Call.

#### **10.2 Payment in the event of a call by Société Territoriale**

In the event of a Guarantee Call by Société Territoriale, the Guarantor must pay the called amount within fifteen (15) Business Days of the date of receipt of the Guarantee Call or by any later date stipulated in the Guarantee Call.

### **10. PAYMENT TERMS**

#### **11.1 Account and payment method**

The funds must be paid by bank transfer to the account specified in the Guarantee Call.

#### **11.2 Currency of payment**

The funds must be paid in euros (EUR) or in any other currency which is legal tender in France.

## **SECTION V DURATION OF THE GUARANTEE**

### **11. EFFECTIVE DATE**

This Guarantee shall become effective on the date of signature by the Member of a Guarantee Commitment.

### **12. DURATION**

#### **13.1 Expiry date**

The Guarantee shall end on the date stipulated in the Guarantee Commitment (the *Expiry Date*).

#### **13.2 Effect of duration**

The Guarantee may no longer be subject to any Guarantee Call after the Expiry Date.

### **13. EARLY TERMINATION**

#### **14.1 Preconditions for early termination**

Notwithstanding the provisions of Article 13, the Guarantee may be terminated early:

- (a) at any time with the agreement of the Guarantor, Société Territoriale and Agence France Locale; or
- (b) in the event of the commencement of proceedings under Book VI of the French Commercial Code (*Code de commerce*) against Agence France Locale at the request of the Guarantor; or
- (c) automatically in the event of the Guarantor signing a Guarantee Commitment incorporating a later version of the Model Guarantee.

#### **14.2 Effect of early termination**

Termination of the Guarantee does not restrict the ability of the holders of Guaranteed Instruments to make calls in respect of any Guaranteed Instrument which pre-dates the termination date.

Conversely, no person or entity may invoke the Guarantee in respect of any financial security or document which post-dates the termination date.

## **SECTION VI RECOURSE**

### **14. SUBROGATION**

In the event of any amount being paid under a Guarantee Call, the Guarantor is subrogated to the rights of the Beneficiary up to the amount paid and based on the Guaranteed Instrument on which the Guarantee Call is founded.

## **15. RECOURSE AGAINST THE MEMBERS**

In the event of any amount being paid under a Guarantee Call, the Guarantor shall benefit from personal recourse against the other Members in accordance with the terms and conditions set out in the Shareholders' Agreement.

## **SECTION VII COMMUNICATIONS**

### **16. INFORMATION FOR BENEFICIARIES**

#### **17.1 Agence France Locale undertakes to ensure that the following information is publicly accessible on its Website at all times:**

- (a) the Outstanding Indebtedness of each Member on the first (1<sup>st</sup>) Business Day preceding the day on which the Website is updated or on any later date;
- (b) the estimated Outstanding Indebtedness of each Member in the absence of any early repayment of all or part of the credit granted on the tenth (10<sup>th</sup>) Business Day following the date of the Website update;
- (c) the allocation by the Model Guarantee version of the aforementioned Outstanding Indebtedness;
- (d) the address and person to whom a Guarantee Call must be sent for each Guarantor;
- (e) the total amount of Guarantee Calls of which it is aware.

#### **17.1 Agence France Locale undertakes to update the Website every Business Day.**

#### **17.3 Agence France Locale undertakes to enter into a contract with an external IT service provider which will be both able and obliged to publish the aforementioned information on a backup website should the Website fail. Should Agence France Locale become financially impaired, it shall be bound to maintain access to the information for a minimum period of six (6) months from the commencement of any settlement or liquidation proceedings being instigated against it.**

### **17. PUBLICATION**

Agence France Locale is authorised to bring to the attention of any Beneficiary, by any appropriate means of its own choice, the existence and the terms of this Guarantee.

### **18. NOTIFICATION**

#### **19.1 Any notification or communication under this Guarantee, including any Guarantee Call, must be made in writing and sent as the issuer of the notification may choose:**

- (a) by registered letter with request for acknowledgement of receipt;
- (b) hand-delivered against a receipt, whether by the issuer itself, its agent or courier service; or
- (c) by a court official.



- 19.2 Any communication made or document sent by one party to another under or in relation to the Guarantee shall become effective from:
- (d) its receipt as evidenced by the acknowledgement of receipt, by any other form of receipt or by the court official;
  - (e) the Business Day following notification as certified by confirmation of submission, a third party or a court official.
- 19.3 Any notification or communication to the Guarantor, Agence France Locale or Société Territoriale must be sent to the address specified on the Website.

## **SECTION VIII FINAL PROVISIONS**

### **19. TAXES AND DUTIES**

- 20.1 Any payments due by the Guarantor shall be made without any withholding tax or tax or duty of any kind raised, levied or collected by or on behalf of the State or by any of its authorities authorised to levy any such tax or duty, unless such withholding or other tax is provided for by law or any applicable international treaty.
- 20.2 If, pursuant French legislation, the payments owed by the Guarantor under the Guarantee were to be subject to a withholding or other tax or duty of any kind, the Guarantor shall not make any additional payments in respect thereof.

### **20. APPLICABLE LAW AND COMPETENT COURTS**

- 21.1 This Guarantee shall be governed by French law.21.2 Any dispute related to this Guarantee shall fall under the jurisdiction of the competent *Tribunal de Grande Instance*.

**APPENDIX A**  
**FORM OF GUARANTEE COMMITMENT**



Par et pour  
les collectivités

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**GUARANTEE COMMITMENT**

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[Name of Guarantor], represented by [●] in their capacity as [●]

- hereby provides an autonomous first demand guarantee whose terms and conditions shall be governed by the Model Guarantee, version 2014.1, a copy of which is appended to this Guarantee Commitment;
- the initial Guarantee amount provided pursuant to this Guarantee Commitment is \_\_\_\_\_ (\_\_\_\_\_) euros<sup>27</sup> (the **Initial Ceiling**);
- This Guarantee Commitment will expire on \_\_\_\_\_ (the **Expiry Date**)<sup>28</sup>;
- declares that this Guarantee Commitment has been approved by their deliberative body in accordance with statutory and regulatory provisions and, where applicable, with their documents of constitution;
- declares acceptance of the stipulations of the Model Guarantee without reservation.

This Guarantee Commitment shall be governed and interpreted in accordance with French law.

Any dispute regarding notably the validity, interpretation or performance of this Guarantee Commitment shall be brought before the competent court within the jurisdiction of the Court of Appeal of Paris (*Cour d'appel de Paris*).

Done in [●]

On [●]

For the Guarantor<sup>29</sup> For Agence France Locale

In the presence of Société Territoriale<sup>30</sup>

<sup>27</sup> The amount must be specified in both numbers and words.

<sup>28</sup> The expiry date must be at the earliest forty-five (45) Business Days after the contractual maturity date of the deed or contract giving rise to the signature of the Guarantee Commitment.

<sup>29</sup> Signature preceded by the words "Signed and agreed - autonomous first demand guarantee for a ceiling amount of [Initial Ceiling, in figures and words] euros".

<sup>30</sup> A general power to countersign Guarantee Commitments may be granted by Société Territoriale to Agence France Locale.

**APPENDIX B**  
**FORM OF GUARANTEE CALL**  
**CALL BY BENEFICIARY**

To: [Contact details of Guarantor as appears on the Website]

CC: Agence France Locale – Société Territoriale  
For the attention of the Chief Executive Officer  
[Contact details of Société Territoriale as appears on the Website]

Date: [insert date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2014.1 as established by the Board of Directors of Agence France Locale – Société Territoriale (the *Guarantee*) in respect of which we announce that we accept the benefits and all of its provisions.
2. Unless otherwise defined in this Guarantee Call, the capitalised terms and expressions used below shall have the meaning assigned to them in the Guarantee.
3. We hereby state that, as of the date of this document, Agence France Locale has not paid us the sum of [specify amount] euros (the **Amount Claimed**). **Details regarding the Amount Claimed and the Guaranteed Instruments are as follows:**

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guaranteed Instrument	Amount outstanding (principal)	Amount outstanding (interest)	Other outstand ing due amounts (late payment interest, charges, etc.)	Total amount outstanding

Partie I \* where applicable

4. **We certify that, as of the date hereof and without undermining the autonomous nature of the Guarantee:**
  - (a) the Amount Claimed is due and payable in accordance with Article(s) [insert article number(s)] of the terms and conditions of the Guaranteed Instruments [where the Guaranteed Instruments were issued under various issue programmes, specify these programmes and their terms and conditions] [and which has not been paid for a period of over [\_\_\_] Business days after its due date (after expiry of applicable grace periods and

amicable settlement periods as provided for by the terms and conditions of the Guaranteed Instruments)]; and

- (b) the Amount Claimed has not been the subject of any payment demand under the Société Territoriale guarantee (or such a payment demand has not been honoured in accordance with the terms of the said Société Territoriale Guarantee);
- (c) the Amount Claimed has not been the subject of any payment demand under guarantees provided by other Members (or such payment demands have not been honoured in accordance with the terms of the said guarantees).

5. In accordance with Article 9.2 of the Guarantee please find enclosed:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) for Guaranteed Instruments issued in the form of financial securities, the account registration certificate;
- (c) a sworn declaration by the Beneficiary stating the occurrence of a payment default;
- (d) details of the bank account to which the called sums are to be transferred.

6. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed.

7. In accordance with the terms of Article 10.1 of the Guarantee, the Amount Claimed must be paid within five (5) Business Days of the date of receipt of this Guarantee Call.

8. [The Amount Claimed must be paid to the bank account with the following references: *[insert account IBAN number]*, opened on the books of *[insert the name of the bank]*.]<sup>31</sup>

Yours faithfully,

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Partie J For *[Insert name of Beneficiary]*  
in the capacity of Beneficiary  
By: *[Insert name of signatory]*  
Partie K Job title: *[Insert job title of signatory]*

<sup>31</sup> Where the terms and conditions of the Guaranteed Instruments do not require payment via a settlement or clearing system.

**APPENDIX C**  
**FORM OF GUARANTEE CALL**  
**CALL BY A REPRESENTATIVE**

To: [Contact details of Guarantor as appears on the Website]

CC: Agence France Locale – Société Territoriale  
For the attention of the Chief Executive Officer  
[Contact details of Société Territoriale as appears on the Website]

Date: [insert date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2014.1 as established by the Board of Directors of Agence France Locale – Société Territoriale (the *Guarantee*) in respect of which we announce that we accept the benefits and all of its provisions in the name and on behalf of the Guaranteed Instrument holders whom we represent.
2. Unless otherwise defined in this Guarantee Call, the capitalised terms and expressions used below shall have the meaning assigned to them in the Guarantee.
3. We hereby state that, as of the date of this document, Agence France Locale has not paid the sum of [specify amount] euros (the *Amount Claimed*) to the **Guaranteed Instrument holders whom we represent. Details regarding the Amount Claimed and the Guaranteed Instruments are as follows:**

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guaranteed Instrument	Amount outstanding (principal)	Amount outstanding (interest)	Other outstand ing due amounts (late payment interest, charges, etc.)	Total amount outstanding

\* where applicable

4. **We certify that, as of the date hereof and without undermining the autonomous nature of the Guarantee:**
  - (a) The Amount Claimed is due and payable in accordance with Article(s) [insert article number(s)] of the terms and conditions of the Guaranteed Instruments [where the Guaranteed Instruments were issued under various issue programmes, specify these programmes and their terms and conditions] [and which has not been paid for a period of over [\_\_\_] Business Days after its due date (after expiry of applicable grace periods and

amicable settlement periods as provided for by the terms and conditions of the Guaranteed Instruments)]; and

- (b) the Amount Claimed has not been the subject of any payment demand under the Société Territoriale Guarantee (or such a payment demand has not been honoured in accordance with the terms of the said Société Territoriale Guarantee);
- (c) the Amount Claimed has not been the subject of any payment demand under Guarantees provided by other Members (or such payment demands have not been honoured in accordance with the terms of the said guarantees).

5. In accordance with Article 9.3 of the Guarantee please find enclosed:

- (a) a copy of the legal documents relating to the Guaranteed Instruments with an indication of the clause stipulating that the said instruments benefit from the Guarantee;
- (b) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders;
- (c) a sworn declaration by the Representative stating the occurrence of a payment default;
- (d) details of the bank account to which the called sums are to be transferred;
- (e) a copy of the document by which the Representative was appointed or is entitled to act on behalf of the Beneficiaries.

6. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed.

7. In accordance with the terms of Article 10.1 of the Guarantee, the Amount Claimed must be paid within five (5) Business Days of the date of receipt of this Guarantee Call.

8. [The Amount Claimed must be paid to the bank account with the following references: [*insert account IBAN number*], opened on the books of [*insert the name of the bank*].]<sup>32</sup>

Yours faithfully,

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Partie L For [*Insert name of Representative*]

Partie M in their capacity of [specify the capacity of the Representative providing them with the authority to act]

By: [*Insert name of signatory*]

Job title: [*Insert job title of signatory*]

Partie N

<sup>32</sup> Where the terms and conditions of the Guaranteed Instruments do not require payment via a settlement or clearing system.

**APPENDIX D**  
**FORM OF GUARANTEE CALL**  
**CALL BY SOCIÉTÉ TERRITORIALE**

To: [Contact details of Guarantor as appears on the Website]

**Date:** [insert date]

**Registered letter with request for acknowledgement of receipt or delivered by hand against receipt**

**Payment demand under the Autonomous First Demand Guarantee version 2014.1**

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2014.1 as established by the Board of Directors of Agence France Locale – Société Territoriale (the *Guarantee*).
2. Unless otherwise defined in this Guarantee Call, the capitalised terms and expressions used below shall have the meaning assigned to them in the Guarantee.
3. We inform you that Société Territoriale has recently received [a Guarantee Call under the Société Territoriale Guarantee/a Guarantee Call Request] for a total amount of [*state the amount*] euros (the *Amount Claimed*).
4. Consequently, we ask you to pay the Amount Claimed to the holders of the Guaranteed Instruments as per the following details:

ISIN *	Common Code*	Date of Guaranteed Instrument	Due date of Guarante ed Instrume nt	Amount (principal)	Amount (interest)	Other due amounts (late payment interest, charges, etc.)	Total amount

\* where applicable

5. In accordance with Article 9.4 of the Guarantee please find enclosed:
  - (a) a copy of the call received within the context of the Société Territoriale Guarantee, including its appendices or a copy of the Call Request issued by Agence France Locale, excluding its appendices;
  - (b) a sworn statement by Société Territoriale confirming the Société Territoriale Guarantee call or the existence of a Payment Request;
  - (c) a list of the holders of the Guaranteed Instruments affected by the call and the allocation of the amount called among the said holders;
  - (d) the details of the account opened with [Caisse des Dépôts et Consignations] in the name of Société Territoriale and on behalf of the holders of the Guaranteed Instruments as set out in

paragraph 9.4.2 above, to which the amounts called are to be transferred accompanied by a copy of the payment instruction set out in Article 9.4.3.

6. In accordance with the terms of Section III of the Guarantee, we ask you in your capacity as Guarantor under the Guarantee to pay us the Amount Claimed.
7. In accordance with the terms of Article 10.2 of the Guarantee, the Amount Claimed must be paid [within five (5) Business Days of the date of receipt of this Guarantee Call/on \_\_\_\_\_].
8. [The Amount Claimed must be paid to the bank account with the following references: [*insert account IBAN number*], opened on the books of Caisse des dépôts et consignations.

Yours faithfully,

---

**For Société Territoriale**

By: [*Insert name of signatory*]

Job title: [*Insert job title of signatory*]



## 4. DESCRIPTION OF ST

### 4.1 Description of the direct majority shareholder: ST

(a) Information on ST

(i) History and development of ST

(i) Company name and trade name

ST's company name is "Agence France Locale – Société Territoriale".

(ii) Place of registration and registration number

ST is registered with the Paris Trade and Companies Register under no. 799 379 649.

(iii) Issuer's date of incorporation and term

ST was incorporated on 3 December 2013 as a French limited liability company (*société anonyme*) with a Board of Directors pursuant to Article 35 of the French law of 26 July 2013.

ST's term is 99 years as from the date of its registration with the Companies and Trade Register, i.e., until 8 December 2112, unless such term is extended or the Issuer is dissolved prior to this date.

(iv) General information

(A) Registered office

The Issuer's registered office address, telephone and fax numbers and website are as follows:

Agence France Locale – Société Territoriale  
41, quai d'Orsay, 75007 Paris, France  
Tel.: +33 1 44 18 14 14  
Fax: +33 1 44 18 14 15  
Website: [www.agence-france-locale.fr](http://www.agence-france-locale.fr)  
E-mail: [olivier.landel@agence-france-locale.fr](mailto:olivier.landel@agence-france-locale.fr)

(B) Legal form

ST is a French limited liability company (*société anonyme*) with a Board of Directors governed by the provisions of the French Commercial Code (*Code de commerce*).

(C) Applicable legislation

Subject to the legal and regulatory provisions related to financial companies, particularly the applicable articles of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer is governed by commercial law, principally by Articles L. 210-1 *et seq.* of the French Commercial Code, as well as its articles of association.

ST is a financial company pursuant to Article L. 517-1 of the French Financial and Monetary Code.

(ii) Investments

Pursuant to the Shareholders' Agreement, ST allocates to the Issuer at least 95% of the amounts it receives under capital increases and/or from shareholder loans, subject to any relevant prudential-related issues.

(b) Business Overview

ST operates as a financial holding company, whose activity primarily consists of:

- holding its interest in the Issuer;
- management of the Agence France Locale Group member enrolment, which the Issuer runs from an administrative perspective;
- ownership and use of trademarks described in section 3.2(b) herein; and
- activation of the guarantee mechanism in the event that the ST Guarantee or the Member Guarantees are called on.

(c) Administrative and management boards

ST's governance is based on the separation of duties between its general management and its administration.

(i) Membership of the administrative and management boards

(A) General management

A Chief Executive Officer and a Deputy Chief Executive Officer oversees ST's general management.

<i>First and Last Names</i> <i>First and Last names</i> <i>Date and place of birth</i>	<i>Duties</i> <i>Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Group since ST's incorporation</i>	<i>Terms of office and duties outside the Group since ST's incorporation</i>
Olivier Landel Born on 9 January 1963 in Paramé (Saint-Malo), France	Chief Executive Officer 41 quai d'Orsay – 75007 Paris, France	Appointed by the Board of Directors on 3 December 2013  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2019	Member of the Issuer's Supervisory Board	General Manger of the Association des communautés urbaines de France (Urban Communities Association of France)
Yves Millardet	Deputy Chief Executive	Appointed by the Board of	Chairman of the Issuer's	None

<i>First and Last Names First and Last names Date and place of birth</i>	<i>Duties Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Group since ST's incorporation</i>	<i>Terms of office and duties outside the Group since ST's incorporation</i>
Born on 24 August 1964 in Vannes, France	Officer 41 quai d'Orsay – 75007 Paris, France	Directors on 5 June 2014 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020	Executive Board	

(B) Board of Directors

The membership of the Board of Directors as of the date of this Base Prospectus is set forth below:

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Agence France Locale Group</i>	<i>Terms of office and duties outside the Agence France Locale Group</i>
Rollon Mouchel-Blaisot Born on 19 June 1959 in Carteret, France	Chairman of the Board of Directors and director Member of the Audit, Internal Control and Risks Committee Member of the Appointment, Compensation and Corporate Governance Committee 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	Vice Chairman of the Issuer's Supervisory Board	None
Jacky Darne Born on 18 December 1944 in Rosières, France	Vice Chairman of the Board of Directors and director Member of the Audit, Internal Control and Risks Committee Member of the Appointment, Compensation and Corporate Governance Committee 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	Chairman of the Issuer's Supervisory Board	None

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Agence France Locale Group</i>	<i>Terms of office and duties outside the Agence France Locale Group</i>
<p>Région Pays de la Loire</p> <p>(Company registration number: 234 400 034)</p> <p>represented by Jacques Auxiette, born on 3 December 1940 in Montlevicq, France</p>	<p>Director</p> <p>41 quai d'Orsay – 75007 Paris, France</p>	<p>Appointed under the articles of incorporation</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016</p>	None	<ul style="list-style-type: none"> <li>– General Manager of the Régionale des Pays de la Loire PPP (RCS Nantes no. 488 324 518)</li> <li>– Chairman of the Board of Directors and General Manager of Loire Environment and Biodiversity (Local public company) (RCS Nantes no. 793 344 144)</li> <li>– Director of Réseau Ferré de France (French rail company) (public utility company) (RCS Paris no. 412 280 737)</li> </ul>
<p>French department Aisne (Company registration number: 220 200 026)</p> <p>represented by Thierry Thomas, born on 17 July 1955 in Rethel, France</p>	<p>Director</p> <p>41 quai d'Orsay – 75007 Paris, France</p>	<p>Appointed under the articles of incorporation</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016</p>	None	<ul style="list-style-type: none"> <li>– Chairman of the Board of Directors of the Aisne Public Housing Office (public utility company) (RCS Saint Quentin no. 423 119 395)</li> <li>– Manger of Gestel 7 (French single-member limited liability company) (RCS Saint Quentin no. 403 168 248)</li> </ul>

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Agence France Locale Group</i>	<i>Terms of office and duties outside the Agence France Locale Group</i>
French department Essonne (Company registration number: 229 102 280)  represented by Jérôme Guedj, born on 23 January 1972 in Pantin, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	– Supervisory Board member of Société du Grand Paris (public utility company) (RCS Bobigny no. 525 046 017)  – Chairman of Franciliennes TV (private limited share company) (RCS Versailles no. 490 333 036)  – Chairman of the Board of Directors of Videocable 91 (limited liability company) (RCS no. 339 695 363)  – Manager of J G Conseils (limited liability company) (RCS Evry no. 488 815 663)
French department Savoie (Company registration number: 227 300 019)  represented by Christiane Brunet, born on 5 March 1964 in Chambéry, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016		
Grand Lyon (Company registration number: 246 900 245)  represented by Richard Brumm, born on 26 October 1946 in Lyon, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	– Director of the Construction de la Ville de Lyon (limited liability company) (RCS Lyon no. 954 502 142)
Lille Metropolitan area (Company registration no. 245 900 410)  represented by Alain Bernard  born on 21 August 1947 in Roubaix, France	Director  Member of the Audit, Internal Control and Risks Committee  Member of the Appointment, Compensation and Corporate Governance Committee  41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None

<i>First and Last names Date and place of birth</i>	<i>Duties and any special powers Professional address</i>	<i>Date of first appointment and end of term</i>	<i>Terms of office and duties within the Agence France Locale Group</i>	<i>Terms of office and duties outside the Agence France Locale Group</i>
Valenciennes Métropole (Company registration no. 245 901 160)  represented by Francis Debacker, born on 26 September 1942 in Annequin, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
City of Bordeaux (Company registration no. 213 300 635)  represented by Alain Juppé, born on 15 August 1945 in Mont- de-Marsan, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
City of Grenoble (Company registration no. 213,801,855)  represented by Hakim Sabri, born on 14 February 1956 in La Mûre, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
City of Lons-le- Saunier (Company registration no. 213 803 008)  represented by John Huet, born on 14 November 1976 in Evry, France	Director 41 quai d'Orsay – 75007 Paris, France	Appointed under the articles of incorporation  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016	None	None
Conurbation community( <i>commun auté d'agglomération</i> ) of Vallée de la Marne (Company registration no. 249 400 078)  represented by Jacques Jean-Paul Martin, born on 23 November 1942 in Algiers, Algeria	Director 41 quai d'Orsay – 75007 Paris, France	Appointed by the Board of Directors on 24 June 2014  Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2017	None	Nogent Habitat OPH (public utility company) (RCS Créteil no. 279 400 170)

(C) General secretary

As of the date of this Base Prospectus, the Board of Directors has not nominated a General Secretary and has no plans to do so at such time.

(D) Conflicts of interest

To the Issuer's knowledge and as of the filing date of this Base Prospectus, there is no actual or potential conflict of interest between the duties of the

individuals mentioned in paragraph (A) and (B) above with regard to the ST and their private interests or other duties.

(d) Operation of the administrative bodies (article 16 of the articles of association)

(i) Board of Directors

(A) Membership of the Board of Directors

I. Membership and appointment procedures

The Board of Directors has a minimum of ten (10) and maximum of fifteen (15) members. No director over 70 years of age shall be appointed to the Board if his/her appointment increases to more than one-third the number of directors over 70. If the number of its directors over 70 years old exceeds one-third of the Board, the oldest member will be deemed as having resigned automatically from office.

The first ten (10) members of the Board of Directors were appointed upon the proposal of ST's top ten (10) shareholders. Any new appointment of a member of the Board of Directors which occurs prior to the shareholders' meeting called to approve the financial statements of the third (3rd) completed financial year subsequent to ST's incorporation shall be adopted by ST's shareholders voting on a simple majority.

The membership of the Board of Directors is reviewed during the shareholders' meeting called to approve the financial statements of the third (3rd) completed financial year subsequent to ST's incorporation and then every six (6) years thereafter to verify that its membership reflects ST's shareholder base comprising different types of Members.

During each Board membership review, each category of Local Authority may elect a certain number of directors. Such number is determined in proportion to the relevant Local Authority's weighting in the local government debt compared to the aggregate amount of such debt borne by all of the Local Authorities as at the date of the review.

Starting with the shareholders' meeting called to approve the financial statements of the third (3rd) completed financial year subsequent to ST's incorporation, shareholders are called to special meetings broken out by the type of Local Authority they represent in order to appoint, by a simple majority, the members to represent them on the Board of Directors. With respect to municipalities and Groupings, the respective shareholders of this Local Authority category agree to select at least three (3) Board candidates, or up to one-third of their appointments, from the municipalities with fewer than ten thousand (10,000) inhabitants.

II. Duration of terms of office

Except for the initial members appointed for a three year term, the members of the Board of Directors are appointed for a six-year term, renewable according to the aforementioned majority requirements. The term of office ends at the ordinary shareholders' meeting called to vote on the accounts for the recently completed financial year held in the year in which their term of office expires.

### III. Powers of the Board of Directors

The Board of Directors decides on ST's business strategy and oversees its roll-out. It examines any and all issues related to the efficient running of ST, and makes any and all business decisions within its remit, subject to those powers expressly conferred to the shareholders' meetings and within the limit of the corporate purpose.

Accordingly, the Board of Directors, acting by a simple majority, makes decisions within its authority in light of applicable laws and regulations and also decides on the following:

- general measures related to ST's organisation and running,
- adoption of the scoring method to identify which Local Authorities are eligible to join the Agence France Locale Group,
- ST's budget,
- ST's management report,
- preparation of the financial statements and proposal on the appropriation of ST's profits,
- general terms on hiring, employment and wages,
- the roll-out and the monitoring of the guarantee structure,
- use of the initial capital contributions made by ST's new shareholders, and
- the specific financial requirements for Local Authority candidates to meet in order to become a ST shareholder.

The Board of Directors also has the authority at any time to (i) request from its Chief Executive Officer the documents validating his decision that a certain Local Authority was eligible to join the Agence France Locale Group and (ii) conduct any investigation it deems necessary to ensure that the scoring method was correctly applied at the time of membership.

Moreover, the Board of Directors:

- receives from the Issuer yearly updates on the Members' financial positions,



- prepares any resolution coming under the authority of ST's shareholders' meeting,
- presents the financial statements of the most recently completed financial year and the budget for the upcoming year at ST's ordinary shareholders' meeting, and
- formulates the instructions provided to ST's Chief Executive Officer, defines his role in representing ST and ensures that the Board decisions are carried out.

The Board of Directors makes any checks and controls that it deems appropriate. Each director receives all the necessary information to perform his or her duties and he or she may request any document considered useful.

#### IV. Deliberations of the Board of Directors

The Board of Directors meets at least quarterly and as frequently as ST's interests require.

The Board of Directors may only hold deliberations validly if at least half of its members are in attendance or deemed present.

#### V. Chairmanship of the Board of Directors

The Board of Directors appoints from among its members a chairman who must be a natural person lest the appointment be null and void. The Chairman does not receive compensation for the performance of his duties.

The Chairman is appointed for a renewable six-year term, which cannot exceed the term of his appointment as director. As an exception to the foregoing, the Chairman is initially appointed for a three-year term. He is eligible in any event for re-appointment.

The Chairman organises and heads up the work conducted by the Board of Directors and reports on it to the shareholders' meeting. He oversees that ST's boards are running properly and, in particular, that the directors are capable in carrying out their mandate.

The Board of Directors also appoints from among its members a Vice Chairman whose role is to replace the Chairman in the event the latter is prevented from attending to his duties or dies. The Vice Chairman does not receive compensation for the performance of his duties.

#### VI. The Board of Directors' committees

The Board of Directors may form committees to analyse and issue an opinion on any matters put forth to it by the Board of Directors or its Chairman.

The Board of Directors determines the membership and the powers of the committees, which operate under its responsibility.

The Board of Directors shall place reliance on the work and diligence performed by the following two (2) specialised committees:

- an audit and risks committee; and
- an appointment, compensation and corporate governance committee

## VII. The Board of Directors' compensation

The members of the Board of Directors are not paid any compensation for the performance of their terms of office. However, they may request reimbursement for any reasonable expenses that they made in connection with their duties upon submitting the appropriate receipts and documents.

### (ii) General management

#### (A) Appointment

The Board of Directors appoints the Chief Executive Officer. At the Chief Executive Officer's proposal, the Board of Directors may appoint one to three individuals to assist him as Deputy Chief Executive Officer(s).

The Chief Executive Officer and Deputy Chief Executive Officer cannot be more than 70 years old. When the Chief Executive Officer or Deputy Chief Executive Officer reaches this age during their term office, such term shall automatically terminate at the end of the upcoming ordinary shareholder's meeting convened to approve the financial statements for the recently completed financial year.

#### (B) Powers

The Chief Executive Officer is vested with the broadest powers to act in all circumstances on ST's behalf. He exercises the powers within the limit of the corporate purpose and subject to those powers expressly conferred to the shareholders' meetings and the Board of Directors, powers that are attributed, where relevant, to the General Secretary.

The Board of Directors may also reduce the scope of the Chief Executive Officer's power in a specific manner.

The Chief Executive Officer represents ST in its dealings with third parties. ST is bound by the actions of the Chief Executive Officer even if such actions are beyond the scope of the corporate purpose, unless it can prove that the third party knew that the relevant action was beyond the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances.

Under the Board of Directors' permanent control, the Chief Executive Officer ratifies the list of Local Authorities that are eligible to join the Agence France Locale Group according to the scoring method defined by the Board of Directors.

The provisions of ST's articles of association and the Board of Directors' decisions reducing the Chief Executive Officer's powers are not binding on third parties.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and the term of the powers conferred to the Deputy Chief Executive Officer(s), who have the same powers as those of the Chief Executive Officer with respect to third parties.

(C) Compensation

The Board of Directors sets the compensation for the Chief Executive Officer and the Deputy Chief Executive Officer(s).

(D) Duration of terms of office

The Chief Executive Officer and the Deputy Chief Executive Officer(s), where relevant, are appointed for renewable six-year terms. As an exception to the foregoing, the Chief Executive Officer and the Deputy Chief Executive Officer(s), where relevant, are initially appointed for a three-year term.

(E) Dismissal and impediment

The Board of Directors may dismiss the Chief Executive Officer at any time. The Deputy Chief Executive Officers may likewise be dismissed at the Chief Executive Officer's proposal.

In accordance with law, the Chief Executive Officer and/or any Deputy Chief Executive Officer who has been dismissed without just cause may claim damages from ST for the losses suffered resulting from such unjustified dismissal.

When the Chief Executive Officer ceases to perform or is prevented from attending to his duties, the Deputy Chief Executive Officers remain in office and conserve their powers until the appointment of a new Chief Executive Officer, unless otherwise decided by the Board.

(iii) General secretary

(A) Appointment

The Board of Directors' Chairman is entitled to appoint a General Secretary.

The General Secretary is appointed for a renewable six-year term. As an exception to the foregoing, the General Secretary's initial term of appointment is for three (3) years.

(B) Powers

ST's legal and corporate affairs may be headed up by a General Secretary whose role is based on the five (5) following areas of focus:

- the coordination required to establish the Agence France Locale Group;

- relationship management with the Local Authorities and the public authorities;
- advisory role to ST's Chairman;
- ST's corporate communication and coordination of communication matters and initiatives within the Agence France Locale Group; and
- legal and general corporate affairs of ST's Board of Directors and its sub-committees.

The General Secretary's powers are decided upon at the time of appointment.

(C) Provisions governing the exercise of duties

Detailed provisions governing the exercise of the General Secretary's duties, including his or her compensation, are set forth in an agreement between ST and the General Secretary drawn up for this purpose.

(D) Age limit

The General Secretary cannot be more than 70 years old. When the General Secretary reaches this age during his/her term office, such term shall automatically terminate at the end of the upcoming ordinary shareholder's meeting convened to approve the financial statements for the recently completed financial year.

(E) Dismissal

The Board of Directors' Chairman may dismiss ST's General Secretary at any time.

(e) Additional information

(i) Share capital

As of the filing date of this Base Prospectus, the ST's share capital amounted to €55,187,500, divided into 551,875 shares of a par value of €100.00 each, all of the same class and fully subscribed and paid up.

(ii) Memorandum and articles of association

As of the filing date of this Base Prospectus, ST is a French limited liability company (*société anonyme*) with a Board of Directors governed by French law and registered with the Paris Companies and Trade Register under number 799 055 629.

In accordance with the provisions of article 2 of the articles of association, ST's corporate purpose consists of:

- establishing and becoming a shareholder of the Issuer, whose corporate purpose is to contribute funding to the Local Authorities;
- helping its shareholders generate first and foremost savings and not profits;

- guaranteeing the Issuer's financial commitments;
- defining the strategic focuses of the Agence France Locale Group, whose legal and operating structures include ST and the Issuer;
- managing the Agence France Locale Group's guarantee system;
- providing, where necessary, certain resources and services to the Issuer; and generally
- carrying out transactions of any kind, whether they be economic, legal, financial, civil or commercial in nature, that may be related, directly or indirectly, to any of the above purposes or to any similar or related purpose.

(f) Legal and arbitration proceedings

No administrative, legal or arbitral proceedings (including any pending or impending proceeding of which the Issuer is aware) that may have a material impact on ST's financial position or profitably has occurred over the past twelve (12) months.

(g) Material agreements

ST has not entered into any material agreement, other than agreements entered into in the ordinary course of business, containing provisions that would entail a material commitment or undertaking for the Issuer in terms of its ability to perform its commitments to the Noteholders with respect to the bond issuances.

## 4.2 Description of ST's shareholders

(a) Shareholder structure

ST's shareholder base is exclusively comprised of Local Authorities, which have obtained the requisite authorizations from their relevant governance boards and whose financial position makes them eligible to become Members of the Agence France Locale Group.

The number of ST shareholders is expected to increase in lock step with the Agence France Locale Group's expansion to the extent where, in accordance with the provisions Article L. 1611-3-2 of the CGCT, the Issuer may only grant loans to Members who have also become ST shareholders. This increase in the number of shareholders will lead to a correlative drop in each Member's relative weighting in ST's share capital; therefore, no controlling shareholders will exist.

As of the date of this Base Prospectus, ST's share capital is held by 91 Local Authorities, none of which holds more than 10% except for one Member, the Grand Lyon *métropole*. Its holding should fall below the 10% threshold in the future due to new Members' joining the Agence France Locale Group. This percentage holding is a result of the fact that this significant Member's ICC is greater than that of the majority of other Members and in January 2015 it paid in the second third of its ICC.

As of the date of this Base Prospectus, ST's share capital is distributed among the following Local Authority Members:

	ST Shareholders
1.	Commune d'Amiens
2.	Communauté d'agglomération d'Amiens Métropole

3.	Communauté de communes Ardennes rives de Meuse
4.	Commune de Bordeaux
5.	Commune de Bourg Argental
6.	Département de l'Aisne
7.	Département de la Savoie
8.	Département de l'Essonne
9.	Communauté urbaine de Cherbourg
10.	Communauté d'agglomération de Clermont Communauté
11.	Commune de Conches-en-Ouches
12.	Communauté urbaine de Dunkerque Grand Littoral
13.	Grand Lyon
14.	Commune de Lons-le-Saunier
15.	Commune de Montreuil
16.	Communauté urbaine du Grand Nancy
17.	Commune de Nantes
18.	Métropole de Nantes
19.	Région Pays de la Loire
20.	Commune de Saint Augustin des Bois
21.	Commune de Saint Jean de Bonnefonds
22.	Métropole de Toulouse
23.	Communauté d'agglomération de Valenciennes Métropole
24.	Commune de Grenoble
25.	Métropole Européenne de Lille
26.	Communauté d'agglomération Plaine Commune
27.	Communauté de communes de Bassin de Pompey
28.	Commune de Brest
29.	Métropole de Brest
30.	Commune de Guéthary
31.	Commune de Plouzané
32.	Commune de Lannion
33.	Communauté d'agglomération du Grand Besançon
34.	Communauté de communes de Pays de Conche
35.	Commune de Pertuis
36.	Communauté Urbaine Creusot Montceau
37.	ee
38.	Commune de Saint-Hilaire-de-Riez
39.	Commune de Saint Nazaire
40.	Commune de Saumur
41.	Commune de Teilhède
42.	Communauté d'agglomération de Grand Poitiers
43.	Commune d'Evreux
44.	e
45.	Commune de Marseille
46.	Communauté Urbaine de Marseille Provence Métropole
47.	Commune de Roquefort sur Souzou
48.	Commune de Noyon
49.	Commune de Flourens
50.	Communauté d'agglomération Est Ensemble
51.	Commune de Beaucozé
52.	Communauté d'Agglomération de Chambéry Métropole
53.	Communauté d'Agglomération du pays de Morlaix
54.	Communauté d'Agglomération de Pau Pyrénées
55.	Communauté d'Agglomération Seine Amont
56.	Communauté d'Agglomération du Val de Fensch
57.	Communauté de Communes du Pays Mornantais
58.	Communauté de Communes du secteur d'Illfurth
59.	Communauté de Communes Amfreville la Campagne
60.	Commune de Balaruc les Bains
61.	Commune de Bourgoin Jallieu

62.	Commune de Domérat
63.	Commune de La Motte Servolex
64.	Commune du Bouscat
65.	Commune de Mâcon
66.	Commune de Nogent sur Marne
67.	Commune de Pollestres
68.	Commune de Saint Avé
69.	Commune de Saint Brice
70.	Commune de Saint Denis
71.	Commune de Saint Saulve
72.	Commune de Vendôme
73.	Commune de Vincennes
74.	Commune de Wittenheim
75.	Commune d'Huningue
76.	Commune d'Usson en Forez
77.	Département de l'Ariège
78.	Commune de Pau
79.	Communauté d'Agglomération du Grand Périgueux
80.	Communauté d'AgglomérationThau Agglo
81.	Communauté de Communes des coteaux du Girou
82.	Communauté de Communes du Pays Noyonnais
83.	Communauté de Communes de la Vallée du Garon
84.	Communauté de Communes Vic Montaner
85.	Métropole de Strasbourg
86.	Métropole de Bordeaux
87.	Commune de Clermont Ferrand
88.	Commune de Vernon
89.	Commune de Villeurbanne
90.	Commune de Vitrac
91.	Commune du Thuit-Anger

The contractual framework applicable to ST guarantee a stability in the shareholder base in spite of the fact that there are numerous shareholders.

The updated list of ST's shareholders is available on the Issuer's website: <http://www.agence-france-locale.fr>. The information contained on this web page is updated for each capital increase within thirty days of the closing of the subscription period.

(b) Local Authorities' Membership to the Agence France Locale Group

By joining the Agence France Locale Group, the Local Authority can benefit from the services offered by the Issuer, and its enrolment and payment of the ICC provide the equity that the Agence France Locale Group needs to make its business sustainable.

(i) Membership request

Only Local Authorities may apply to become members of the Agence France Locale Group and, simultaneously, ST shareholders.

The assessment of membership applications is based exclusively on objective indicators to assess, in particular, the relevant Local Authority's financial position.

The evaluation process and scoring method adopted by ST's Board of Directors, based on the Executive Board's proposal and the Supervisory Board's opinion, are based on following three indicators: (i) solvency, (ii) budget sustainability and (iii) the Local Authorities' indebtedness. These three indicators have been weighted in

relation to their size (see section 2.5(a) of the Description of the Issuer section of this Base Prospectus for more information on how these indicators are applied).

Under the supervision of the Board of Director or pursuant to a Board decision, ST's Chief Executive Officer sends formal acceptance of the membership.

(ii) Initial Capital Contribution

Membership is contingent upon payment of the ICC by the Members. The ICC payable at the time of joining is in principle valid for the Member's entire membership with the Agence France Locale Group except in the event of (i) capital increases or contributions made pursuant to legal or regulatory requirements or (ii) changes in the scope of membership (additional budgets, transfer of competences).

The amount of the ICC is calculated as follows:

$$\text{Max} (k * 0.80\% * \text{Total Debt}; k' * 0.25\% * \text{Operating Revenues}; k'' * 3,000)$$

Where:  $\text{Max} (x; y; z)$  is equal to the highest value among x, y and z;

**Total debt** corresponds to the total outstanding loans recognised in management account of the Local Authority applying for membership, with respect to the third-to-last year preceding the date on which the decision on the Local Authority's membership becomes enforceable, unless such Local Authority has not closed out a minimum of two financial years as of the date thereof. In this case, and only where the Member was not created as a result of a transfer of competence, the Total Debt presented in the administrative account of the preceding financial year (if one exists) or in the preliminary budget for the financial year in which the decision became enforceable shall be used. It is further stipulated that:

- (A) Total Debt shall not include any debt related to project financing of private-public partnerships where the borrowing entity is not a shareholder of ST.
- (B) Local Authorities requesting membership may decide whether or not to include the debts related to ancillary budgets when defining their Total Debt. In the event where the Local Authorities decided not to include certain budgets in their Total Debt at the time of membership, such budgets shall not receive any funding from the Issuer until they have been effectively included.
- (C) The municipalities that belong to a tax-raising inter-communal cooperation public entity (EPCI) may request that the debts they allocated to such public entity are not included in their Total Debt so long as they submit to the ST documents proving such allocation.

**Operating Revenues** correspond to the total actual operating revenues recognised in the management account of the Local Authority applying for membership, with respect to the third-to-last year preceding the date on which decision on the Local Authority's membership becomes enforceable unless such Local Authority has not closed out a minimum of two financial years as of the date thereof. In this case, and only where the Member was not created as a result of a transfer of competence, the Operating Revenues presented in either the administrative account of the preceding financial year (if one exists) or in the preliminary budget for the financial year in which the decision became enforceable shall be used. It is further stipulated that:



- (A) Local Authorities requesting membership may decide whether or not to include revenues allocated to ancillary budgets when defining their Operating Revenues. In the event where the Local Authorities decided not to include certain budgets in their Operating Revenues at time of membership, such budgets shall not receive any funding from the AFL until they have been effectively included;
- (D) Tax refunds allocated as a payment by the tax-raising inter-communal cooperation public entities (EPCIs) shall not be included in the amount of their Operating Revenues.

*k, k' and k''* are coefficients that are equal to or greater than one (1). Based on a proposal of the Issuer's Executive Board and an opinion of the Issuer's Supervisory Board, ST's Board of Directors shall determine the amount of these coefficients in relation to economic and financial criteria to ultimately ensure the Issuer's capital adequacy in light of its mandate.

As an exception to the foregoing, the amount of the ICC was based on 2011 information for Local Authorities whose membership decision became enforceable prior to 30 April 2014. In this case, the *k, k' et k''* coefficients are equal to 1.

The activation of membership is contingent upon the payment of 33% of the ICC by the relevant Member. During the two years following the year of enrolment, the remaining balance shall be paid in equal instalments as called for by the Chief Executive Officer. Failure to make the payments at the time of the Chief Executive Officer's call will result in the Member in question being downgraded to Sleeping Member. In the event that the Member in question takes out a loan with the Issuer during the interim, its failure to pay any amount with respect to the ICC shall moreover trigger the early repayment of such loan in full.

Pursuant to the Shareholders' Agreement among the Issuer, ST and the Members (the *Shareholders' Agreement*), the Members all agree that capital increases for the subscription of new shares may be made so that the ICCs are incorporated into ST's share capital.

ST shall retain up to a maximum 5% of the equity from these capital increases, with the exact percentage to be determined each year by the Board of Directors. The remaining balance shall be made available to the Issuer in connection with the capital increases and, where relevant and over the short-term, as shareholder loans to be capitalised.

- (c) Stability of the shareholder base and changes impacting Members
- (i) Stability of the shareholder base

The Agence France Locale Group's success is intrinsically linked to its shareholder base that provides both equity and the guarantees that it needs to carry out its mandate. The contractual framework in place therefore maintains the stability of ST's shareholder base by stipulating the following:

- At the time of taking out any loan with the Issuer, Local Authorities must be Members, and in turn ST shareholders, to receive funding from the Agence France Locale Group and shall remain so until the loan has been fully paid back (forfeiture or loss of membership triggers an early repayment of the loans granted to Members);

- As part of the Shareholders' Agreement, ST's shareholders agree to hold on to their shares until the tenth (10th) anniversary of the full payment of their ICC;
- ST's articles of association set forth that the Board of Directors must approve any sale of shares;
- Any third party that purchases ST shares without the Board of Directors' approval shall be required to become a party to the Shareholders' Agreement without becoming a Member.

ST's Board of Directors may decide, by the unanimity of its members, to reduce the lock-up period mentioned above under exceptional circumstances.

Neither ST nor the Issuer shall be required to repurchase a Member' shares, except where approval has been denied or membership revoked.

(ii) Creation, regrouping and phase-out of Local Authorities

In the event a Local Authority's sphere of competence is amended, either by a transfer of competence, merger, regrouping or otherwise, ST's Board of Directors has the right to review the financial position of the Member(s) involved in these proceedings and may make them, where necessary, ineligible for loans granted by the Issuer by downgrading them to a Sleeping Member. The mechanism set forth in the Shareholders' Agreement may be activated in connection with the entry into force of the MAPTAM law and the potential transfers of competence this law could result in.

In the event that such Local Authorities continue to be full Members, they are required to pay an additional ICC for the acquired competences if the transferring Local Authority did not pay an ICC for them. The calculation of the additional ICC is set forth in detail in the Shareholders' Agreement.

(d) Option to expel a Member

In certain exceptional circumstances, the Agence France Locale Group may expel a Member subject to the Board of Directors' decision with respect thereto.

Acting on a proposal of the Executive Board and the Supervisory Board, the Board of Directors may pass a decision, by a majority of two thirds of its members in attendance or represented, to expel a Member in one of the following cases:

- material breach by the relevant Member of one of its commitments under the Shareholders' Agreement, the Member Guarantees, ST's articles of association or, where relevant, the Issuer's articles of association;
- material breach by the relevant Member of one of the rules of the Agence France Locale Group's code of conduct and ethics;
- significant deterioration of the relevant Member's financial position to such an extent that it is no longer able to meet the solvency criteria its membership in the Agence France Locale Group is contingent to; or
- the relevant Member is a Sleeping Member that no longer has loans outstanding with the Issuer.

#### 4.3 ST's financial information according to IFRS

(a) Consolidated financial statements prepared according to IFRS as at 31 December 2014

### 1. IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR AFL GROUP AS AT 31 DECEMBER 2014

#### 1.1. Consolidated assets

ASSETS	Note	31/12/2014 (€K)
Customer loans and receivables	1	6 151
Financial assets held-to-maturity	2	31 873
Deferred tax assets	7	3 301
Accruals and miscellaneous assets	4	1 593
Tangible fixed assets	6	649
Intangible fixed assets	6	4 148
<b>TOTAL ASSETS</b>		<b>47 715</b>

#### 1.2. Consolidated liabilities

LIABILITIES	Note	31/12/2014 (€K)
Debts owed to credit institutions	3	15 800
Accruals and miscellaneous assets	5	1 228
Provisions	12	3
<b>Shareholders' equity</b>		<b>30 684</b>
<b>Equity Group Share</b>		<b>30 683</b>
Capital and associated reserves		37 286
Consolidated reserves		-
Loss for the financial year		-6 603
<b>Non-controlling interests</b>		<b>1</b>
<b>TOTAL LIABILITIES</b>		<b>47 715</b>

#### 1.3. Consolidated income statement

CONSOLIDATED INCOME STATEMENT	Note	31/12/2014 (€K)
-------------------------------	------	--------------------

Interest and related income	8	440
Interest payable and similar charges	8	-63
Fees (expenses)	9	-53
Net profit or loss on financial assets available for sale		1
<b>Net banking proceeds</b>		<b>325</b>
Total General Operating Expenses	10	-10 112
Depreciation, impairment and provisions for intangible and tangible fixed assets	6	-117
<b>Gross operating income</b>		<b>-9 904</b>
Cost of risk		-
<b>Operating income</b>		<b>-9 904</b>
<b>Pre-tax results</b>		<b>-9 904</b>
Income taxes		3 301
<b>Consolidated net income</b>		<b>-6 603</b>
<b>Non-controlling interests</b>		<b>-</b>
<b>Net income Group share</b>		<b>-6 603</b>
	Earnings per share	-0.02
	Diluted earnings per share	-0.02

#### 1.4. Net income and profit or loss directly recognised under equity

Net income and profit or loss directly recognised under equity	Note	31/12/2014 (€K)
<b>Net income</b>		<b>-6 603</b>
<b>Items reclassified [or recycled] in net income:</b>		
Conversion adjustments		
Revaluation of financial assets classified as available for sale		
Fair value adjustments to hedging instruments		
Items from the share of other comprehensive income items		
Related taxes		
<b>Items not reclassified [or recycled] in net income:</b>		
Revaluation of fixed assets		

Revaluations [or actuarial adjustments] with regard to defined benefit schemes		
Items from the share of other comprehensive income items		
Related taxes		
<b>Total profit or loss directly recognised under equity</b>		<b>-6 603</b>
<b>Group share</b>		<b>-6 603</b>
<b>Non-controlling interests share</b>		

### 1.5. Changes in consolidated equity and non-controlling interests

Items	Capital and associated reserves			Consolidated reserves	Total profit or loss directly recognised under equity	Group share in net income	Group Share in equity	Non-controlling interest share in equity	Total consolidated equity
	Capital	Capital reserves	Treasury shares						
Opening shareholders' equity									
Capital increase	37 286						37 286	1	37 287
Share capital increases									
Cancellation of treasury shares									
Issue of preference shares									
Equity portion of hybrid instruments									
Share-based payment transactions									
Changes in interests in subsidiaries without loss of control									
Subtotal of movements linked to relations with shareholders	37 286						37 286	1	37 287
Change in profit or loss directly accounted under equity									
Net income as at 31.12.2014						-6 603	-6 603		-6 603
Sub-total	37 286					-6 603	30 683	1	30 684
Effect of acquisitions and the transfers of non-controlling shares									
Share of the change in equity of joint ventures and associates									
Equity as at 31 December 2014	37 286					-6 603	30 683	1	30 684

The share capital is made up of 372 860 ordinary shares with a face value of 100 Euros per share. None of ST's shares is held by it or by its subsidiary, the Issuer.

#### 1.6. Consolidated cash flow statement

The cash flow statement is presented according to the indirect method model.

Investment activities represent cash flows due to the acquisition and transfer of financial assets held to maturity and tangible and intangible fixed assets.

Financing activities are the result of changes related to financial transactions with equity and subordinated debt.

Operational activities include cash flows that are not included in the other two categories.

The concept of net cash flow includes cash, receivables and debts from central banks, and bank call accounts (assets and liabilities).

Items	31/12/2014 (€K)
<b>Pre-tax results</b>	<b>-9 904</b>
+/- Net depreciation on intangible and tangible fixed assets	117
- Depreciation of Goodwill and other fixed assets	-
+/- Net provisions and impairment	3
+/- Income share related to equity-consolidated companies	-
+/- Net profit/loss from investment activities	-88
+/- Finance activity expenses	63
+/- Other changes	-420
<b>= Total of the non-monetary elements included in the net income before tax and other adjustments</b>	<b>-325</b>
+/- Flow linked to transactions with credit institutions	-
+/- Flows linked to transactions with customers	-
+/- Flows related to the other transactions affecting financial assets or liabilities	-
+/- Flows related to the other transactions affecting non-financial assets or liabilities	55
- Taxes paid	-
<b>= Total decrease/(increase) of the non-monetary elements included in the net income before tax and other adjustments</b>	<b>-</b>
<b>= TOTAL NET CASH FLOWS FROM TRANSACTION ACTIVITY (A)</b>	<b>-10 174</b>

Items	31/12/2014 (€K)
+/- Flows related to financial assets and shareholdings	-31 784
+/- Flows related to investment property	-
+/- Flows related to tangible and intangible fixed assets	-4 914
<b>= TOTAL CASH FLOWS RELATED TO INVESTMENT ACTIVITIES (B)</b>	<b>-36 698</b>
+/- Cash flow from or to shareholders	37 286
+/- Other cash flows from financing activities	15 737
<b>= TOTAL CASH FLOW RELATED TO FINANCING ACTIVITIES (C)</b>	<b>53 023</b>
<b>EFFECT OF EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS (D)</b>	<b>-</b>
<b>Increase/Decrease in net cash and cash equivalents (A+B+C+D)</b>	<b>6 151</b>
Net cash flow generated by operational activity (A)	-10 174
Net cash flow related to investment transactions (B)	-36 698
Net cash flow related to financing activities (C)	53 023
Effect of exchange rate variation on cash and cash equivalents (D)	-
<b>Opening cash and cash equivalents</b>	<b>-</b>
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	-
<b>Closing cash and cash equivalents</b>	<b>6 151</b>
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	6 151
<b>VARIATION IN NET CASH FLOW</b>	<b>6 151</b>

## 2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. General background

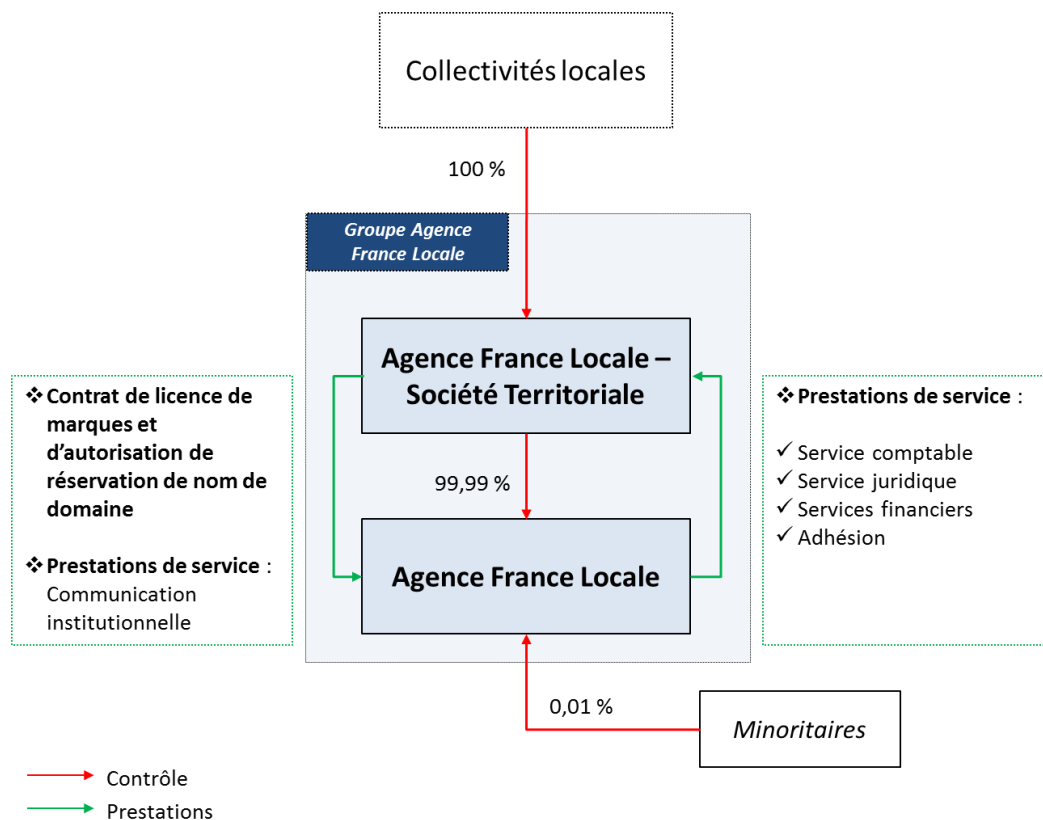
#### 2.1.1. Presentation of Agence France Locale Group

Agence France Locale Group ("AFL Group") includes ST and AFL ("the Issuer")

ST was registered with the Trade and Companies Register (*Registre des Commerces et des Sociétés* or *RCS*) on 9 December 2013 with a start-up capital of 99 000 Euros. The Issuer was registered with the RCS on 27 December 2013 with a start-up capital of 50 000 Euros.

ST is a limited liability company (Société Anonyme) with a Board of directors, of which the shareholding is made up exclusively of Local Authorities that are members of AFL Group. ST is the majority shareholder of the Issuer.

The diagram below shows the structure of AFL Group:



A new issue of capital was carried out on 28 January 2014 for a total par value of €17,631 K. This increase enabled 15 new Local Authorities to become shareholders of ST. A second capital increase was carried out on 5 June 2014, for a total amount of €13,800 K, enabling twenty-six new Local Authorities to become shareholders. A third capital increase was carried out on 5 December 2014, for a total amount of €5 756k, allowing thirty new Local Authorities to become shareholders.

95% of these new capital issues were returned to the Issuer (cf below).

At 31 December 2014, the amount subscribed and paid by ST is €37 286k.

Upon the Issuer's establishment, capital amounted to €50K.

Following the extraordinary general meeting on 17 February 2014, a decision was made to increase the share capital by €16,950K. A second increase in share capital of €13 200K was decided on 24 June 2014. A third new issue of capital of €5 600K was decided on 25 November 2014.

As at 31 December 2014 the Issuer's share capital therefore amounted to €35 800K.

### 2.1.2. Operations

AFL Group aims to allow Local Authorities to be more financially independent, in particular by contributing to the diversification of their sources of finance.



ST is a holding company and does not carry out any operational or financial activities.

The Issuer will lend to member local authorities. It will finance its activities by raising funds on financial markets, thereby positioning itself as the ideal link between financial markets and the member Authorities.

### 2.1.3. Significant events

2014 is the first financial year for Agence France Locale Group.

During this financial year, on 22 December 2014, the Issuer obtained an approval as a specialist credit institution from the *Autorité de contrôle prudentiel et de résolution* (l'ACPR).

Net Banking Income was €325k for the 2014 financial year. It includes €440K of income from equity investment products in financial assets held-to-maturity and €116k of expenses related to refinancing operations in the first financial year.

Development of the in-house IT system ("IS") began in February 2014, leading to a first version of the system in November 2014, in line with the initial plan. During the second half of 2014, Management undertook initial work on the IT system security, including drafting an IT System Security Policy (ISSP), carrying out an IT risk assessment and preparing for the French data protection and freedom of information law (*Loi Informatique et Libertés*). Office space and equipment has developed in line with the growth of the Issuer. IT costs related to setting up the main IT tool amounted to €3 861K at 31 December 2014 reported in intangible fixed assets.

In parallel, Management established a secure telecoms system in the Tour Oxygène premises in Lyon, to allow for the arrival of the Issuer's staff in September 2014. A project to set up an IT portal for Local Authorities was launched in September.

Operating expenses for this financial year are €10 112K, of which €2 021K is staff expenses and €8 091K is administrative expenses. The latter include in particular €2 123 K of expenses related to the establishment of the Issuer (legal fees, rating fees, preparation of the business plan and obtaining the approval).

Tax losses over the financial year activated tax deferrals which gave tax proceeds of €3 301K.

The Group had a negative consolidated net income for FY2014 of €6 603K.

### 2.1.4. Post-closing events

No major event occurred at the beginning of the 2015 financial year which is likely to have an impact on these accounts.

## 2.2. **Rules and accounting methods:**

In accordance with IFRS 1 *First adoption of the international financial information standards* and pursuant to the European payment regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and the European Council, AFL Group has prepared its first consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) at 31 December 2013 and such as adopted by the European Union and whose application was mandatory at that date. IFRS includes IFRS and IAS (International Accounting Standard) standards, and their IFRIC (International Financial Reporting Committee Interpretations) and SIC (Standing Committee Interpretations) interpretations.

As at 31 December 2014, AFL has applied the following standards:

Standards	
IFRS 1	<i>First adoption of the international financial information standards</i>

<b>Standards</b>	
IAS 1	<i>Presentation of the financial statements</i>
IAS 32	<i>Financial instruments: Presentation</i>
IAS 39	<i>Financial instruments: Accounting and evaluation</i>
IFRS 7	<i>Financial instruments: Information required</i>
IFRS 13	<i>Fair value measurement</i>
IAS 19R	<i>Employee benefits</i>
IAS 17	<i>Leases</i>
IAS 24	<i>Related party disclosures</i>
IAS 16	<i>Tangible fixed assets</i>
IAS 38	<i>Intangible fixed assets</i>
IAS 12	<i>Income taxes</i>

In addition, the Issuer decided to apply in advance, on a voluntary basis, the following texts published in the Official Journal of the European Union and whose application will be compulsory only from the financial year beginning 1 January 2014.

- IFRS 10 *Consolidated financial statements* introduces a new definition of control based on the power, exposure (and rights) to variable yields and the capacity to exercise this power to influence the yields. Consolidation principles and methods adopted by the Group are set out in paragraph 3.3.
- IFRS 12 *Disclosure of interests in other entities* includes all of the information to be provided in the notes with regard to subsidiaries, partnerships, associates and non-consolidated structured companies.

The summary financial statements are prepared in accordance with the format proposed by the French accounting standards authority (*Autorité des normes comptables*) in its recommendation no. 2013-04 of 7 November 2013 relating to the format of the consolidated financial statements of banking institutions drawn up in accordance with international accounting standards.

### 2.3. Principles and methods of consolidation

#### 2.3.1. Scope of consolidation and control

AFL Group is structured as follows:

- The Group parent company is ST
- The only subsidiary company at 31 December 2014 is the Issuer

At 31 December 2014, the consolidation comprises exclusively the subsidiary Issuer, over which ST has exclusive control through its 99.99% holding of voting rights.

### 2.3.2. Consolidation methods

A subsidiary company is an entity controlled by the group. The Group has exclusive control over an entity to the extent that it is able to directly or indirectly direct the financial and operational policies of that entity. The financial statements of the subsidiary companies are included in the consolidated financial statements as from the date on which control is obtained until the date on which control ceases. Balance sheet balances, income and expenses resulting from intragroup transactions are eliminated.

Changes in the Group's shareholding in a subsidiary that do not lead to the loss of control are booked as equity transactions.

As ST exercised exclusive control over the Issuer, the full consolidation method is therefore used.

### 2.3.3. Financial assets and liabilities

Upon initial recognition, the financial assets and liabilities are measured at fair value net of costs directly attributable to acquisition (with the exception of financial instruments recognised at fair value through profit or loss).

Assets and liabilities are classified in the following categories:

#### 2.3.3.1. Financial assets held-to-maturity

Financial assets held to maturity are fixed or determinable income or maturity financial assets that the company intends and is able to hold until maturity.

IAS 39 prohibits, except in limited cases, the disposal or transfer of these securities before maturity. Contravention of this standard is subject to a penalty barring the Group from classifying securities in this category for two years.

Interest rate hedging transactions for this category of security do not qualify for hedge accounting as defined in IAS 39.

On the reporting date, the securities are valued at their amortised cost in accordance with the effective interest rate method, which includes amortisation of premiums and discounts corresponding to the difference between the acquisition value and the redemption value of these securities.

The income received from these securities is presented under the heading "Interest and similar proceeds" in the financial statements.

In the event of an objective sign of depreciation, the depreciation is measured as the difference between the carrying amount and the estimated recoverable amount, discounted at the original effective interest rate. This depreciation is recorded in terms of the cost of risk. In case of subsequent improvement, the excess provision becomes unfounded and is written-back.

#### 2.3.3.2. Financial assets available for sale

Pursuant to IAS 39, the Group classifies the following as "Financial assets available for sale":

- - non-consolidated equity holdings
- - marketable securities

These securities are recorded initially at their purchase price and fair value measurements and depreciation tests are carried out at the end of each reporting period.

If these securities are listed on an active market, the fair value recorded is equal to the market value of such securities; in the absence of listing on an active market, the fair value is determined by using the most appropriate valuation techniques: discounted cash flows, multiples of financial ratios (net positions, net customer exposures), net assets at adjusted book value, among others.

The difference between the fair value of securities on the period closing date and their net book value is accounted in equity, with the exception of depreciation.

The securities may depreciate if criteria for prolonged or significant loss in value are met. Meeting these criteria leads to a complementary individual qualitative analysis, which can lead to a depreciation.

Depreciations are irreversible for capital securities; they are recorded in the statements within the net banking proceeds in the section "Net losses or gains on financial assets available for sale". Once a security has been depreciated, any further depreciation must also be recorded in the statements.

#### 2.3.3.3. Recording dates

AFL Group records securities held-to-maturity on the settlement date. Other securities, regardless of their type or category, are recorded on the trade date.

#### 2.3.4. Tangible fixed assets

Tangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

<b>Fixed asset</b>	<b>Amortisation period</b>
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years

#### 2.3.5. Intangible fixed assets

Computer software was recorded as an intangible fixed asset because it meets the following three criteria, pursuant to IAS 38:

- it is identifiable,
- it is controlled by the entity,
- it gives future economic advantages.

Intangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

Fixed asset	Amortisation period
Software	5 years
Website	3 years
Development expenses	5 years

#### 2.3.6. Financial debts

Debts, which are not classified as fair value financial liabilities, are initially booked at cost, corresponding to the fair value of borrowed amounts net of transaction costs. At the financial year end they are recorded at their amortised cost in accordance with the effective interest rate method and booked under "Debts owed to credit institutions", "Debts owed to customers", "Debts represented by a security" or "Subordinated debts".

Debts to credit institutions are broken down according to their initial duration or their type: demand (demand deposits, current accounts) and term borrowings (special savings account) .

#### 2.3.7. Guarantee commitments

According to IAS 39 a contract meets the definition of a financial guarantee if it includes an indemnity principle under which the issuer will reimburse the beneficiary for losses suffered as a result of a payment default by a specified debtor on a debt instrument.

#### 2.3.8. Determination of fair value or market value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the time of the initial accounting of an instrument, its fair value is generally the transaction price.

IFRS 13 primarily recommends the use of a price quoted on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if the prices are easily and regularly available from a stock market, broker (multi-contribution), trader, price evaluation service or regulatory agency, and if these prices represent actual transactions (in terms of volume, price) on the market under normal conditions of competition.

In the absence of an active market fair value must be determined using valuation techniques.

These techniques include the use of recent transactions in a context of normal competition. They are based on observable market data, the fair values of substantially identical instruments, cash flow discounting or option valuation models and use recognised valuation methods.

The aim of a valuation technique is to establish what the price of the instrument would have been in a normal market.

The quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

The fair value of the booked financial instruments in the statement at amortised cost is set out in an appendix.

### 2.3.9. Interest income and expense

Interest income and expense is included in the financial statements for all financial instruments measured at amortised cost using the effective interest rate method. This interest income and expense is accounted net of the difference between the acquisition and redemption price, which is spread over the remaining life of the securities on a discounted basis.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument so as to obtain the net accounting value of the financial asset or liability. The calculation of this rate includes commissions received or paid and forming by their nature part of the effective rate of the contract.

### 2.3.10. Corporation taxes

The relevant rate to determine the taxes payable is 33.1/3%, legal rate in force as at 31 December 2014.

### 2.3.11. Deferred taxes

In accordance with IAS 12, the income tax includes all taxes based on income, regardless of whether they are payable or deferred.

Adjustments in consolidation, together with the differences between company and tax statements or between the values of assets and liabilities for tax or accounting purposes are temporary differences. Deferred taxes are assessed according to the so-called "variable carry forward" method.

The active deferred taxes are booked when their chances of recovery are considered probable.

IAS 12 prohibits the discounting of deferred taxes.

### 2.3.12. Use of estimates in the preparation of the financial statements

The preparation of the financial statements requires assumptions and estimates to be made which imply uncertainties regarding their future updating. These estimates, on the basis of information available on the closing date, call for the exercise of judgement by those preparing and managing particularly during the fair value measurement of financial instruments.

Future updates depend on a number of factors: interest and exchange rate fluctuations, economic situation, changes to regulation or legislation, etc. This means that the definitive results from relevant activities may be different from these estimate and have an effect on the accounts.

Valuation of financial instruments that are not listed on organised markets is based on models of market data available for most over-the-counter instruments. Measuring some complex instruments that are not listed on an active market is based on valuation techniques which in some cases include non-observable parameters.

Information on the fair value of financial assets and liabilities booked at cost is set out in the appendix.

### 2.3.13. Retirement benefits and other employment liabilities

In accordance with IAS 19 - *Employee benefits*, in the context of defined benefit schemes, retirement and other related liabilities are evaluated by independent actuaries, according to the projected unit credit method.

Under this method, each period of service gives an additional unit of rights to benefits and each of these units is evaluated to obtain the final obligation. This final obligation is then discounted. These calculations mainly include:

- an assumption as to retirement start date,

- a financial discounting rate,
- a rate of inflation,
- assumptions on salary increases and staff turnover.

Actuarial profit and loss are generated by changes in assumptions or experience variances (difference between projected and actual) in respect of commitments or financial assets. These actuarial variations are booked under "Income and expenses recognised directly through equity", which are non-recyclable in the financial statements.

Therefore the net expense in relation to defined benefit schemes corresponds to the sum of:

- the cost of past and performed services (in Operating income, under "General operating expenses - Staff"),
- the expense in relation to accretion of the net obligation of the return on plan assets (in "Non-operating expenses", under "Return or expenses on employment liabilities").

These two components (accretion and return on assets) are determined on the basis of the discounting rate of the liabilities.

## 2.4. Notes on the balance sheet

### 2.4.1. Note 1: Customer loans and receivables

Bank loans and receivables are sight drafts.

### 2.4.2. Note 2: Financial assets

At 31 December 2014, AFL Group's financial assets comprise the following items (in €K):

Accounting category IAS 39	Fair value	Balance sheet value	Variation
Financial assets available for sale	-	-	-
Financial assets held-to-maturity*(1)	34 618	31 418	3 200

*\*Interest incurred on liabilities of €455K are excluded in determining the fair value.*

(1) Level 1 liabilities according to the IFRS 13 hierarchy:

- UNEDIC, rate: 2.375%, 10 year term
- AFD, rate: 2.25%, 12 year term
- OAT, rate: 3.5%, 12 year term

All held-to-maturity financial assets have a term greater than 5 years.

The 3 level hierarchy for fair value accounting of financial instruments on the balance sheet as defined by IFRS 13 is as follows:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs are quoted priced on active markets for similar financial instruments or inputs for which all significant data is based on observable market data.

- Level 3: Valuation techniques for which meaningful data is not based on observable market data.

The estimated fair values have been determined on the basis of available market information and appropriate valuation methods according to the type of instrument.

The fair values were determined on the basis of information available at the financial year end date and do not therefore take into account the effect of any subsequent variations.

At 31 December 2014, the primary assumption and valuation methods used are the valuation of bond securities obtained from renowned financial institutions.

#### 2.4.3. Note 3: Debts owed to banks and commitments received

The banks HSBC France and Natixis, as arrangers, opened a bridging loan in the form of a revolving credit line of up to €25 000K. This credit revolving facility allows the Issuer (the borrower) to have a continuous reserve in an account.

The amount of arranger or dealer commitments for debt securities is distributed as follows:

- -HSBC France - up to €12 500K
- -Natixis - up to €12 500K

At 31 December 2014, the Issuer has drawn down €15 800K, which is therefore recorded as a financial debt. The Issuer has a permanent option to extend the term of the revolving credit facility to a maximum repayment date of 24 February 2016. The arrangers' residual commitment amounts is €9 200K. Interest accrued in respect of these debts is booked as related payables through profit or loss.

#### 2.4.4. Note 4: Accruals and miscellaneous assets

Items	Amounts at 31/12/2014 (€K)	Term < 12 months	Term > 12 months
Guarantees and deposits paid	62	-	62
Trade payables - advances and instalments	35	35	-
Deductible VAT on goods and services	54	54	-
Carry forward VAT input credit	724	724	-
VAT refund	652	652	-
VAT on accrued invoices	40	40	-
Prepaid expenses	26	26	-
Related - non-paid up capital	-	-	-
<b>Total</b>	<b>1 593</b>	<b>1 531</b>	<b>62</b>



Items	Amounts at 31/12/2014 (€K)	Term < 12 months	Term > 12 months
Social welfare organisations	332	332	-
Suppliers	369	369	-
Suppliers - invoices not received	247	247	-
Staff - Salaries payable	25	25	-
Personnel - Paid-leave and compensatory time-off	25	25	-
Staff expenses payable	121	121	-
Employment expenses covered by provisions	78	78	-
Suspense account - Creditor	31	31	-
<b>Total</b>	<b>1 228</b>	<b>1 228</b>	<b>-</b>

2.4.5. Note 5: Accruals and miscellaneous assets

2.4.6. Note 6: Tangible and intangible fixed assets

At 31 December 2014, tangible fixed assets comprise computer equipment, furniture, expenses for furnishing premises, depreciations, detailed as follows:

Fixed assets	Amount (in €K)
Tangible fixed assets	660
Tangible fixed assets in course of construction	3
<b>Gross value of the tangible fixed assets</b>	<b>663</b>
Depreciation of tangible fixed assets	-14
<b>Net value of the tangible fixed assets</b>	<b>649</b>

At 31 December 2014, intangible fixed assets comprise computer software and depreciation, detailed as follows:

<b>Fixed assets</b>	<b>Amount (in €K)</b>
Intangible fixed assets	4 129
Intangible fixed assets in progress	122
<b>Gross value of the intangible fixed assets</b>	<b>4 251</b>
Depreciation, impairment and provisions for intangible fixed assets	-103
<b>Net value of the intangible fixed assets</b>	<b>4 148</b>

2.4.7. Note 7: Deferred taxes

The deferred comprise the following:

<b>Type</b>	<b>Deferred tax asset</b>	<b>Deferred tax liability</b>
Tax losses	2 741	-
Deferred taxes related to withdrawals and elimination from consolidation	560	-
<b>Total</b>	<b>3 301</b>	<b>-</b>

At 31 December 2014, the Group noted deferred tax assets corresponding to carry forward tax losses. At the end of the financial year, the Group considered it likely to recover these deficits. Projections of results prepared on the basis of the most recent forecasts indicate that the issuer's activities should generate sufficient taxable results to absorb all of the carry forward tax losses over a period of 3 years.

## 2.5. Notes relating to the income statement

### 2.5.1. Note 8: Interest payable, proceeds and similar charges

Items	Amounts at 31/12/2014 (€K)	
	Proceeds	Expenses
Interest and similar income on treasury and interbank transactions	-	63
Interest and similar income on transactions with customers	-	-
Interest on hedging transactions	-	-
Interests on assets available for sale and held-to-maturity	440	-
<b>Total</b>	<b>440</b>	<b>63</b>

### 2.5.2. Note 9: Commissions

Items	Amounts at 31/12/2014 (€K)	
	Proceeds	Expenses
Commissions on treasury and interbank transactions	-	53
Commissions on the provision of financial services	-	-
Commissions on securities transactions	-	-
Commissions on insurance services	-	-
Commissions on financial instruments	-	-
Other commissions	-	-
<b>Total</b>	<b>-</b>	<b>53</b>

### 2.5.3. Note 10: General Operating Expenses

At 31 December 2014, the Issuer has 18 paid executives.

At the closing date of the accounts, the operating costs are distributed as follows:

<b>Items</b>	<b>Amounts</b>
<b>Staff costs</b>	
Salaries	1 384
Retirement and similar expenses	144
Other employment expenses	493
<b>Total Staff Expenses</b>	<b>2 021</b>
<b>Administrative expenses</b>	
Taxes	19
External services	12 055
<b>Total Administrative Charges</b>	<b>12 074</b>
Chargeback and transfers of administrative expenses	-3 983
<b>Total General Operating Expenses</b>	<b>10 112</b>

The transfers of administrative expenses include the expenses transferred in fixed assets in progress, representing, essentially, the amount of expenses related to IT systems.

### 2.5.4. Note 11: Staff-related liabilities: short-term benefits

At 31 December 2014, short-term staff benefits comprise:

<b>Items</b>	<b>Amounts (€K)</b>
Provision and expenses for variable remuneration	188
Other staff benefits	36
<b>Total short-term benefits</b>	<b>224</b>

### 2.5.5. Note 12: Staff-related liabilities: post-employment benefits

For each defined benefit scheme, AFL Group makes an allowance equal to the liabilities, net of fair value of the scheme's financial assets.

At 31 December 2014, post-employment benefits for staff comprise:

Items	Amounts (€K)
<b>Post-employment benefits (1)</b>	<b>3</b>
Provision for retirement indemnities	3
<b>Total post-employment benefits</b>	<b>3</b>

(1) The valuation method used is the "Projected Unit Credit Method".

#### 2.5.6. Note 13: Related party transactions

The Group's main management is the Members of the Executive Board of the Issuer and the Managing Director and Assistant Managing Director of Agence France Locale – Société Territoriale. The amount of remuneration paid to them was €607k during the financial year 2014. This amount corresponds only to short-term benefits and includes all forms of consideration paid by the Group, in exchange for services.

The total amount of directors' fees will be set at the Annual general meeting of the Issuer's shareholders convened to approve the 2014 company accounts.

#### 2.5.7. Note 14: Auditors' Fees

	Cailliau Dedouit et Associés		KPMG Audit	
	2014		2014	
	In €K	In %	In €K	In %
<b>Auditing</b>				
<b>Auditor, certification, review of individual and consolidated financial statements</b>				
AFL-ST (parent company)	10	21%	10	21%
Fully integrated subsidiary companies	37	79%	37	79%
<b>Sub-total</b>	<b>47</b>		<b>47</b>	
<b>TOTAL</b>	<b>47</b>		<b>47</b>	<b>100%</b>

(b) Auditors' report on the consolidated financial statements established in accordance with IFRS standards at 31 December 2014.

**KPMG AUDIT FS I**

3, cours du Triangle  
92939 Paris La Défense

**Cailliau Dedouit et Associés**

19, rue Clément Marot  
75008 Paris

**AUDITORS' REPORT ON THE  
CONSOLIDATED FINANCIAL STATEMENTS  
(Financial year ended 31 December 2014)**

To the Shareholders  
**AGENCE FRANCE LOCALE GROUP**  
41, quai d'Orsay  
75007 PARIS

Dear Sirs

Pursuant to the mission entrusted to us by your general assembly, we present to you our report relating to the financial year ended 31 December 2014, on:

- the review of the consolidated financial statements of AGENCE FRANCE LOCALE Group (AFL Group), such as attached to this report,
- the grounds for our assessments,
- the specific inspection required by law.

Your board of directors approved the consolidated financial statements. Our role is to express an opinion on these annual financial statements, based on our audit.

**1. Opinion on the consolidated financial statements**

We carried out our audit according to professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves the verification, on a test basis or through the use of any other selection methods, of the evidence supporting the amounts and disclosures included in the consolidated financial statements. It also involves making an assessment of the accounting principles used and the significant estimates retained and appreciating their overall presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We certify that the consolidated financial statements for this financial year are, with regard to IFRS as adopted in the European Union, a faithful presentation of the assets, the financial position and the results of the group made up of the persons and entities in the scope of the consolidation.

**2. Grounds for our assessments**

Pursuant to the provisions of Article L. 823-9 of the French *Code de commerce* relating to the grounds for our assessments, we bring to your attention the following elements:

### **Accounting principles**

Your group acquired bond securities in the context of its policy of investing the funds raised through capital increases. These securities were entered in the category “Financial assets held-to-maturity” according to methods described in the notes 3.3.3.1 and 3.4.2 of notes to the consolidated financial statements.

As part of our assessment of the accounting rules and principles implemented by your group, we have verified that the information presented in the notes to the consolidated financial statements was appropriate to the company's circumstances and consistently applied.

### **Accounting estimates**

In the normal course of preparing its consolidated financial statements your group makes accounting estimates, related to in particular, the reporting of deferred tax assets on carry forward tax losses according to the method described in paragraphs 3.3.11 and 3.4.7 of the notes to the consolidated financial statements.

Our work consisted in examining the methods and assumptions used, checking the resulting accounting estimates on the basis of documented methods in line with the principles described in the notes to the financial statements.

Our assessments are therefore a part of our audit of the consolidated financial statements, taken as a whole, which have contributed to our opinion set out in the first part of our report.

### **3. Specific verification**

In accordance with professional standards applicable in France, we have also verified the information given in the group's management report as provided by law.

We have nothing to report with respect to the fair presentation of such information and its conformity with the consolidated financial statements.

Signed in Paris la Défense and in Paris on 3 February 2015

The Auditors

**KPMG Audit FS I**

**Cailliau Dedouit et Associés**

Fabrice Odent

Laurent Brun

## 5. DESCRIPTION OF THE ISSUER'S INDIRECT SHAREHOLDERS: THE LOCAL AUTHORITIES

### 5.1 Financial Informations on the Members

In light of the large and continually growing number of Member Guarantors, incorporating the financial information on each of them in this Base Prospectus would be inconsistent with the objective under the Prospectus Directive of providing easily understandable and readable financial information to the Noteholders.

Accordingly, fact sheets on each Member's financial information have been made available on the Issuer's Website: ([www.agence-france-locale.fr](http://www.agence-france-locale.fr)).

### 5.2 The Members' position within the national governmental framework

#### (a) Background on local authorities and the EPCI

The Members are either local authorities (*collectivités territoriales*), as set forth in Article 72 of the French Constitution, or public inter-communal institutions (**EPCI**), with a legal personality, financial and legal autonomy and the power of self-governance as defined by the legislation. In 2014, France had 36,901 local authorities<sup>33</sup>.

The constitutional amendment of 28 March 2003 on the decentralised organisation of the Republic brought about a series of changes, especially to Article 72 of the Constitution: "*the local authorities of the Republic shall be the communes, the departments, the regions, the special-status authorities and the overseas local authorities.*"

The EPCIs are municipalities groupings and there are 2,145 EPCIs that have the authority to levy taxes<sup>34</sup>. The tax-raising EPCIs are made up of the following: urban authorities (*communautés urbaines*) established by French law no. 66-1069 of 31 December 1966; conurbation communities (*communautés d'agglomération*) established by the "Chevènement" law no. 99-586 of 12 July 1999; metropolitan areas (*métropoles*) established by French law no. 2010-1563 of 16 December 2010; and municipalities communities (*communautés de communes*) established by French law no. 92-125 of 6 February 1992.

The difference among these various groupings mainly relates to the minimum population levels that they must cover as well as their range of competences.

As of the date of its incorporation, a metropolitan area groups together more than 400,000 inhabitants from several municipalities located on a continuous strip of land without any enclosures. By virtue of the MAPTAM law and its application decrees, the EPCIs with more than 400,000 inhabitants in an urban area of more than 650,000 inhabitants were automatically converted on 1 January 2015 into metropolitan areas. In practical terms, this conversion related to the greater urban areas of Bordeaux, Grenoble, Lille, Nantes, Rennes, Rouen, Strasbourg and Toulouse. Two other greater urban areas, Montpellier and Brest, were also conferred the status of metropolitan areas. These new metropolitan areas will join rank with Nice, which became a metropolitan area on 31 December 2011.

As of the date of its incorporation, an urban authority groups together more than 250,000 inhabitants<sup>35</sup> from several municipalities located on a continuous strip of land without any

<sup>33</sup> The Local Authorities in numbers, 2014, publication available at [www.dgcl.interieur.gouv.fr](http://www.dgcl.interieur.gouv.fr).

<sup>34</sup> Statistical data on the tax-raising EPCIs as of 1 January 2014, report available on [www.dgcl.interieur.gouv.fr](http://www.dgcl.interieur.gouv.fr).

<sup>35</sup> The former threshold set at 500,000 inhabitants by Article L.5215-1 of the CGCT was decreased to 450,000 inhabitants by virtue of the French law no. 2010-1563 of 16 December 2010 and then to 250,000 inhabitants by virtue of the MAPATM law.



enclosures; whereas, an conurbation community, as of the date of its incorporation, includes more than 50,000 inhabitants from one or more core municipalities with populations of more than 15,000 inhabitants located on a continuous strip of land without any enclosures.

The municipalities community is required to group together several municipalities on a continuous strip of land without any enclosures. It is not subject to any conditions with respect to population levels of the municipalities belonging to it.

French law no. 2004-809 of 13 August 2004 *on the local liberties and responsibilities (the Law of 13 August 2004)* was a milestone in endorsing the status of local authorities and set forth the terms of the new transfers of competences to the various decentralised levels. The majority of this law's provisions came into effect on 1 January 2005.

The purpose of French law of 16 December 2010 on the reform of local authorities (the *Law of 16 December 2010*) was to streamline the local structures (municipalities, inter-municipalities, departments and regions), reduce the number of territorial levels and clarify the powers and financing modalities of these various levels. The replacement of the "general competence clause" with "exclusive competences" clause by 1 January 2015 was primarily designed so that the regions and departments would have specialised powers.

More recently Phase III of decentralisation was launched in 2013 with the goal of adapting the local authorities' scope of competences to reflect the diversity of the territories as well as harmonizing and making more efficient public initiatives. With this in mind, the MAPTAM law was enacted to streamline how public initiatives were undertaken, primarily by promoting inter-municipality integration, introducing "territorial governance", lowering the threshold of establishing urban authorities and creating new metropolitan areas.

Apart from the various EPCIs under French law, "special status" EPCIs are set to come into the fore on 1 January 2016.

Pursuant to the terms of Article L. 5219-1 of the CGCT as amended by the MAPTAM law, a "special status" EPCI with the authority to levy taxes will be established on 1 January 2016. This new EPCI will be the "Métropole du Grand Paris" (Greater Paris metropolitan area) and will regroup (i) the city of Paris; (ii) all of the municipalities in the Hauts-de-Seine, Seine-Saint-Denis and Val-de-Marne departments (i.e., 123 municipalities); (iii) the municipalities of other departments in the Ile-de-France region, which as of 31 December 2014 belonged to an EPCI including at least one municipality from the Hauts-de-Seine, Seine-Saint-Denis and Val-de-Marne departments (i.e., 4 municipalities) and whose municipal council approved such measure prior to 30 September 2014 and, subject to certain conditions, (iv) any municipality overlapping with at least one municipality in the Hauts-de-Seine, Seine-Saint-Denis and Val-de-Marne departments (i.e., 43 municipalities). The Métropole du Grand Paris will replace the current Groupings included in the inner Parisian suburbs and will consolidate approximately 6.7 million inhabitants of Ile-de-France.

In addition, a new Grouping called the "Métropole d'Aix-Marseille-Provence" (the Aix-Marseille-Provence metropolitan area) will replace on 1 January 2016 six current Groupings (one urban authority and five conurbation communities).

- (b) The specificities for each type of potential Member
- (i) The municipalities

As of 1 January 2014, France had a total of 36,681 municipalities for a population of 65.82 million people<sup>36</sup>. The municipalities' scope of authority is identical across the board regardless of their respective sizes. Established under the French law of 5 April 1884, their general purpose is: "*in its deliberations, the municipal council rules on the matters of the municipality.*"

As a representative of the French State within the municipality, the mayor is responsible for registering births, marriages and deaths, performing electoral duties (scheduling elections, revising the electoral lists, etc.), and protecting the general public through the special police powers entrusted to him or her.

As the head of the municipality's executive affairs, the mayor also oversees the following matters in which the municipality is empowered:

- **urban planning:** this mainly falls within the municipality's scope of power. The municipalities draw up and approve the local urban plans so that the mayor can issue the building permits in the municipality's name. The municipalities and their groupings spearhead the comprehensive zoning and development plan that sets forth the municipality's sustainable urban development project and sets the objectives of the urban planning policies in certain domains (housing, economic development, passenger and goods transport, etc.).
- **education:** the municipality is in charge of public schools. It is the owner of the buildings and oversees any new construction, rehabilitative work, extensions, large-scale repairs, equipment and operations.
- **economic initiative:** since the passing of the French law no. 2002-276 of 27 February 2002, municipalities and their groupings have been able to contribute in financing direct aid to companies (like French departments) pursuant to an agreement entered into with the region. They are also able to grant them indirect aid (e.g., a loan guarantee). In addition to such modes of financing, the municipalities are now authorised by the French law of 13 August 2004 to set up their own assistance programmes contingent on approval from the region, which coordinates the economic development initiatives in its territory. Furthermore, the municipalities and the EPCIs can now set up a tourists' office.
- **marinas and airfields:** the municipalities have the authority to create, develop and operate marinas and airfields.
- **housing:** the municipalities belonging to an EPCI are actively involved in defining a local housing programme. Such programme sets the policy goals and guidelines over at least a six-year period to meet housing needs and promote urban renewal and social diversity both within the individual municipality as well as within the municipalities in the EPCI. The municipality also has authority over low-income and student housing since the entry into force of the French law of 13 August 2004.
- **health:** since the entry into force of the French law of 13 August 2004, municipalities, which requested doing so with one year of this law's application, may pilot the policy on removing or rehabilitating unsafe

<sup>36</sup>

Source: Insee.

housing over a four year period. As is the case for other local authorities, they may enter an agreement with the French State to spearhead initiatives for vaccination programmes as well as for the prevention and fight against the spread of TB, leprosy, HIV and STDs.

- **social initiatives:** the municipality works alongside the department in overseeing the local public welfare centres, which assess how to best serve the population and provide public welfare assistance (medical aid, etc.). Pursuant to an agreement, the Chairman of the General Council (*Conseil Général*) may also entrust to the municipalities or the EPCIs the management of the youth assistance funds, which come under the department's authority.
- **culture:** the municipality plays a key role in overseeing municipal libraries, museums and conservatories. The French law of 13 August 2004 entrusted the organisation and the financing of preliminary fine arts education (music, dance, theatre) to the municipalities and their groupings. The establishment responsible for running these programmes have been rolled into a departmental plan. As is the case for all local authorities and their groupings, municipalities and their respective groupings may also request that they be transferred the ownership of classified or registered monuments (as well as any objects they may contain) from the French State or the *Centre des monuments nationaux* (National Heritage Centre), which appear on a list drawn up by the French *Conseil d'Etat* (Council of State).
- **sports and recreation:** the municipality creates and oversees sporting facilities and subsidises sport-related activities including professional sport clubs. It is also entrusted with managing the tourist facilities on its territory.

## (ii) The EPCI

Heightened cooperation between municipalities allows them to join forces to jointly manage public facilities and services and/or to draw up economic and urban development projects at a more far-reaching local level. The municipalities transfer to the groupings the compulsory as well as the discretionary authorities. The transfer of authority endows the EPCI with the decision-making and executive powers that were previously held by the municipalities.

Two types of inter-municipal cooperation can be clearly defined with respect to each other:

- the federative type financed by the four local taxes (tax-raising EPCI): the territorial economic contribution, the occupancy tax, the two property taxes on developed and undeveloped land. Under its umbrella are the following: the municipalities communities, the new municipal consortium (*syndicats d'agglomération nouvelle* (SAN)), the urban authorities to which were added the conurbation communities established under the French law °99-586 of 12 July 1999 *on the strengthening and simplification of inter-municipal cooperation* (the **Law of 12 July 1999**) and the metropolitan areas created by the French law of 16 December 2010. By operation of the MAPTAM law, the Métropole du Grand Paris and the Métropole d'Aix-Marseille-Provence, special status EPCIs, will also fall under this federative type.

- the associative type financed by budgetary and/or taxed-based contributions from member municipalities (EPCI without the power to levy taxes) including single-purpose syndicates (SIVU), multi-purpose syndicates and mixed syndicates.

Members can only come under the category of a tax-raising EPCI (otherwise stated the federative type of inter-municipal cooperation).

In addition to the main EPCIs described hereafter, the tax-raising EPCI category also includes the new municipal consortium, which were introduced by the "Rocard" law no. 83-636 of 13 July 1983 to organise new towns and cities. With operations essentially similar to those of municipal associations<sup>37</sup>, the new municipal consortiums are vested under the law with the specific competence to execute a new urban area project. Such scope of competence extends primarily to urban planning and development. As a general rule, these syndicates are supposed to be converted into conurbation communities once the new town's urban planning and work have finished. As of the date of this Base Prospectus, there were only four new municipal consortiums on the French territory.

(A) The metropolitan area (*métropole*)

The French law of 16 December 2010 created a public inter-communal institution that can levy its own taxes (EPCI) known as the metropolitan areas.

The metropolitan areas are tax-raising EPCIs that pool together several municipalities on a continuous strip of land without any enclosures, which share a common consensus of setting up and piloting for their territory a plan focused on urban planning as well as economic, ecological, educative, cultural and social development. The mutually-led initiatives aim to strengthen unity, increase competitiveness and promote sustainable and cooperative development across the region.

The "Nice Côte d'Azur" metropolitan area was the only one created within the framework of the law of 16 December 2010, prior to the reforms made by the MAPTAM law. This metropolitan area was established on 31 December 2011 in the wake of the merger between the Nice Côte d'Azur urban authority and three Alpes-Maritimes municipalities communities.

By virtue of the MAPTAM law and its application decrees, the EPCIs with more than 400,000 inhabitants in an urban area of more than 650,000 inhabitants were automatically converted into metropolitan areas. In practical terms, this conversion impacted the greater urban areas of Bordeaux, Grenoble, Lille, Nantes, Rennes, Rouen, Strasbourg and Toulouse. Two other greater urban areas, Montpellier and Brest, voluntarily opted in to acquire the status of metropolitan areas.

This law (set out in Articles L. 5217-1 *et seq.* of the CGCT) also amended the legal framework that applies to metropolitan areas by aligning the majority of competences attributed to urban authorities with those of the metropolitan areas.

<sup>37</sup> They are governed by the provisions of Articles L. 5212-1 *et seq.* of the CGCT.

Pursuant to Article L. 5217-2 of the CGCT, the metropolitan areas shall be duly authorised, in lieu of the member municipalities, to carry out the compulsory matters over which they have competence in the following domains:

economic, social and cultural development and planning:

- creation, planning and management of industrial, commercial, tertiary, trade, tourist and harbour and airport zones;
- economic development initiatives, active involvement in co-steering the competitive clusters, contribution to the capital of tech transfer accelerating companies;
- construction, planning, maintenance and operation of cultural, community, socio-educational and sports facilities in the metropolitan area's interest;
- promotion of tourism, including the creation of tourist offices;
- assistance and support programme for higher education and research institutions as well as research programmes based on the regional-wide programme on higher education, research and innovation.

metropolitan area planning and land use:

- comprehensive zoning and development plan; local urban development plan and any similar documents, definition, creation and performance of urban planning operations in the metropolitan area's interest, as listed in Article L. 300-1 of the French Urban Planning Code; initiatives to promote the natural heritage and landscapes; establishment of land reserves;
- organisation of urban mobility as set forth in Articles L. 1231-1, L. 1231-8 and L. 1231-14 to L. 1231-16 of the French Transportation Code; creation, planning and maintenance of roadways; sign posting; passenger shelters; parking spots and car parks and urban transport plan;
- creation, planning and maintenance of public spaces devoted to all modes of urban transport as well as their related fixtures;
- active involvement in the governance and planning of train stations located in the metropolitan area;
- establishment, operation, acquisition, and accessibility of telecommunication infrastructures and networks as set forth in Article L. 1425-1 of the CGCT.

local urban habitat policy:

- local urban habitat programme;

- housing policy, financial aid for social welfare housing; initiatives to promote social welfare housing; initiatives to house people in need;
- improvement of the built-up real estate, rehabilitation and removal of unsafe housing;
- planning, maintenance and management of shelter sites for itinerants and other transient people.

urban policy:

- drawing up the urban assessment and defining the main areas of focus of the urban charter;
- taking the lead and coordinating contractual arrangements for urban development, local development and economic and social inclusion as well as for local crime prevention programmes;
- action plans under the urban charter.

management of services of general interest:

- sanitation and drinking water;
- creation, management, extension and transformation of cemeteries and cremation sites in the metropolitan area's interest as well as the creation, management and extension of crematoriums;
- slaughterhouses, livestock markets and other markets of national interest;
- fire and rescue services pursuant to the terms set in Chapter IV of Section II of Book IV of the first part of the CGCT;
- external public fire protection service;
- environmental conservation and environment policy;
- management of household and similar waste;
- fight against air pollution;
- fight against noise pollution;
- contribution to the use of other sources of energy;
- lending support to initiatives to control energy demand;
- drawing up and adopting a regional climate and energy plan pursuant to Article L. 229-26 of the French Environmental Code (*Code de l'environnement*) in line with the national targets on greenhouse gas reduction, energy efficiency and renewable energy production;

- concession to operate the state-owned energy electricity and gas grids;
- creation, fitting, maintenance and management of urban heating and cooling networks;
- creation and maintenance of the charging stations and infrastructures required for electric cars or rechargeable hybrid cars pursuant to Article L. 2224-37 of the CGCT;
- stewardship over aquatic environments and flood prevention pursuant to the provisions of Article L. 211-7 of the French Environmental Code (*Code de l'environnement*);
- holder of the concessions for public beaches pursuant to the provisions of Article 2124-4 French Public Property Code.

In agreement with the relevant department(s) or region(s) as well as the French State, these metropolitan areas may exercise the authority falling within the remit of these public entities.

(B) The urban authority (*communauté urbaine*)

As of 1 January 2015, there were seven urban authorities.

As of the date of its incorporation, an urban authority is an EPCI that groups together more than 250,000 inhabitants from several municipalities located on a continuous strip of land without any enclosures. Prior to passing the MAPTAM law, this threshold was set at 450,000 inhabitants.

Four urban authorities had been established outright in Bordeaux, Lille, Lyon and Strasbourg. At the local authorities' own initiative, five additional urban authorities (Dunkerque, Cherbourg, Le Creusot – Montceau Les Mines, Le Mans and Brest) were voluntarily established from 1968 to 1974 according to prescribed regulatory channels. The more recent urban authorities of Nancy, Arras and Alençon came into existence following the conversion of a district into an urban authority (1997-1998); while the urban authority of Marseille was created *ex nihilo* pursuant to the Chevènement law.

In accordance with the provisions of the MAPTAM law, ten urban authorities were converted into metropolitan areas (eight of which automatically and the other two opted in) on 1 January 2015.

The purpose of an urban authority is to bring together municipalities with a common consensus of devising a mutual urban development and planning for the territory.

An urban authority is established by prefectural order (*arrêté préfectoral*) either at the request of one or more municipal councils (*conseils municipaux*) or the Prefect subsequent to an opinion issued by the local government commission on inter-municipal cooperation.

The member municipalities transfer a number of their competences to the urban authority. At the time of establishing the urban authority, the

municipalities must clearly separate the matters which fall within the remit of the urban authority from those of the municipalities.

The urban authority is governed by a community council (legislative body) made up of the elected officials from the member municipalities and a chairperson (executive body) elected from among the council members. Councillors from municipalities with more than 1,000 inhabitants have been elected directly since the March 2014 municipal elections, following the entry into force of 16 December 2010 Law, as amended by the French law no. 2013-403 of 17 May 2013. However, councillors from small-sized municipalities are still elected from within the municipal council.

An urban authority does not exercise any discretionary powers<sup>38</sup>. Pursuant to Articles L. 5215-20 and L. 5215-20-1 of the CGCT, an urban authority primarily carries out the compulsory matters coming within its remit:

economic, social and cultural development and planning of the urban area's space and land:

- creation, planning and management of industrial, commercial, tertiary, trade, tourist and harbour and airport zones;
- economic development initiatives;
- construction or lay-out, maintenance, management and operation of cultural, community, socio-educational and sports facilities and centres in the urban area's interest;
- middle schools and high schools according to the terms set in the first chapter of section II of French law no. 83 -63 of 22 July 1983, supplementing French law of no. 83-8 of 7 January 1983 on the division of powers between the municipalities, the departments, the regions and the French State;
- promotion of tourism, including the creation of tourist offices;
- assistance and support programmes for higher education institutions as well as research programmes.

urban area planning and land use:

- comprehensive zoning and development plan for the area; local urban development plans and any similar documents; creation and the building of any development areas in the urban area's interest within the meaning of Article L. 300-1 of the French Urban Planning Code (*Code de l'urbanisme*), and the establishment of land reserves in the urban area's interest following the opinion of the municipal boards;
- organisation of urban transport as set forth in Articles L. 1231-1, L. 1231-8 and L. 1231-14 to L. 1231-16 of the French Transportation

<sup>38</sup> In accordance with Article L. 5215-20 of the CGCT, the department, region or French State may transfer by agreement the matters over which they have competence to the urban authorities.



Code (*Code des transports*), and subject to its Article L. 3421-2, creation, planning and maintenance of roadways, sign posting, parking spots and car parks and the urban transport plan.

Fair and equitable housing in the urban area:

- local urban habitat programme;
- housing policy, financial aid for social welfare housing; initiatives to promote social welfare housing; initiatives to house people in need;
- scheduled improvements to housing, rehabilitation and removal of unsafe housing.

urban policy:

- drawing up the urban assessment and defining the main areas of focus of the urban charter;
- taking the lead and coordinating contractual arrangements for urban development, local development and economic and social inclusion as well as for local crime prevention programmes;
- action plans set forth in the urban charter.

management of services of general interest:

- sanitation and drinking water;
- creation and extension of existing cemeteries, cremation sites and crematoriums;
- slaughterhouses, livestock markets and other markets of national interest;
- fire and rescue services;
- contribution to the use of other sources of energy;
- creation, fitting, maintenance and management of urban heating and cooling networks;
- concession to operate the state-owned energy electricity and gas grids;
- creation and maintenance of charging stations and infrastructure for electric vehicles.

environmental conservation and environment policy:

- removal of household and similar waste;
- fight against air pollution;

- fight against noise pollution;
- lending support to initiatives to control energy demand;

planning, maintenance and management of shelter sites for itinerants and other transient people.

(C) Conurbation community (*communauté d'agglomération*)

The French law of 12 July 1999 replaced the groupings of towns with conurbation communities. As of 1 January 2014, there were 222 conurbation communities covering 4,851 municipalities and 27.1 million inhabitants<sup>39</sup>.

As of the date of its incorporation, an conurbation community includes more than 50,000 inhabitants from one or more core municipalities with populations of more than 15,000 inhabitants located on a continuous strip of land without any enclosures.

However, the population threshold of 15,000 inhabitants does not apply when the conurbation community includes the largest town or municipality in the department.

The conurbation community is created for an indefinite time period and can cover one or more departments. The decree issued to create the conurbation community sets forth where its seat shall be located, based on the understanding that the perimeter of the conurbation community cannot be exactly the same as that of a department.

The conurbation community is governed by a community council (legislative body) made up of the elected officials from the member municipalities and a chairperson (executive body) elected from among the council members. Councillors from municipalities with more than 1,000 inhabitants have been elected directly since the March 2014 municipal elections following the entry into force of the French law no. 2010-1563 of 16 December 2010 Law on the reform of local authorities, as amended by the French law no. 2013-403 of 17 May 2013. Councillors from small-sized municipalities (fewer than 1,000 inhabitants) are still elected from within the municipal council.

Pursuant to Article L. 5216-5 of the CGCT, the conurbation community shall be duly authorised, in lieu of the member municipalities, to carry out the compulsory matters over which they have competence in the following domains:

economic development initiatives:

- creation, planning and management of industrial, commercial, tertiary, trade, tourist and harbour and airport zones in the interest of the local population;
- economic development initiatives in the community's interest.

<sup>39</sup> Source: [www.dgcl.interieur.gouv.fr](http://www.dgcl.interieur.gouv.fr).

urban area planning: and land use:

- master zoning plan and area zoning plan; creation and the building of any development areas; local urban plan reflecting the municipality's map and geographic location; planned unit development in the local population's interest;
- organisation of urban mobility as set forth in Title III of Book II of the first part of the French Transportation Code, subject to the provisions of its Article L. 3421-2.

fair and equitable housing in the area: local housing programme; housing policy and initiatives and financial aid to promote social welfare housing; land reserves to be used under the fair and equitable housing policy; initiatives to house people in need; improvement and rehabilitation of the property built in the community's interest.

urban policy:

- drawing up the territorial assessment, defining the main areas of focus of the town charter and carrying out the action plans in this charter;
- taking the lead and coordinating contractual arrangements for urban development, local development and economic and social inclusion in the local population's interest;
- local crime prevention programmes in the general population's interest;
- action plans set forth in the urban charter.

In lieu of the municipalities, the conurbation community must also take care of three of the following six matters that fall within its remit:

- establishment/planning of road ways; creation/planning or management of parking lots in the local population's interest;
- water treatment:
- water;
- environmental conservation and environment policy: fight against air pollution; fight against noise pollution; lending support to control energy demand; collection and processing of household and similar waste or a portion thereof pursuant to the provisions of Article L. 2224-13 of the CGCT;
- construction, planning, maintenance and management of cultural, community, socio-educational and sports facilities in the local population's interest;
- community-based social services.

(D) Main features of a municipalities community (*communauté de communes*)

The framework law no. 92-125 of 6 February 1992 on the local administration of the French Republic led to the existence of municipalities communities.

As of 1 January 2014, there were 1,903 municipalities communities assembling 31,246 municipalities and covering a population of 27.4 million inhabitants.

A municipalities community combines together several municipalities that are required, from a territorial standpoint, to be on a continuous strip of land without any enclosures. It may be established for either an indefinite period of time or a definite period of time as stipulated in the decree of incorporation.

The municipalities community is governed by a council (legislative body) made up of the elected officials from the member municipalities and a chairperson (executive body) elected from among the council members. Councillors from municipalities with more than 1,000 inhabitants have been elected directly since the March 2014 municipal elections following the entry into force of the French law of 16 December 2010 Law, as amended by French law no. 2013-403 of 17 May 2013. Councillors from small-sized municipalities (fewer than 1,000 inhabitants) are still elected from within the municipal council.

Pursuant to Article L. 5214-6 of the CGCT, the municipalities communities shall be duly authorised, in lieu of the member municipalities, to carry out the compulsory matters over which they have competence in the following domains:

- comprehensive zoning and development plans to carry out initiatives in the local population's interest; local urban development plans and any similar documents reflecting the community's map and geographic location;
- community-wide initiatives for economic development; the planning, maintenance and management of industrial, commercial, tertiary, trade, tourist, harbour and airport operations in the local population's interest fall within the competence of the municipalities community when it has elected for the tax regime set forth in Article 1609 *nonies* C of the French General Tax Code (*Code général des impôts*).

In lieu of the municipalities, the municipalities community must also take care of three of the following seven matters that fall within its remit:

- Environmental protection and conservation according to departmental plan, where applicable, and lending support to energy demand management initiatives;
- Housing and living conditions policy with respect to urban policy: drawing up the territorial assessment, defining the main areas of focus of the town charter; taking the lead and coordinating contractual arrangements for urban development, local development and economic and social inclusion as well as local crime prevention programmes and action plans set forth in the town charter;

- creation, layout and maintenance of roadways. When the municipalities community has an urban transportation plan and control over the "*creation, layout and maintenance of roadways*", the public transportation system's use of reserved traffic lanes entails the community-wide interest of the public roads used for these transportation routes as well as of the adjacent sidewalks;
- construction, maintenance and operation of cultural and sports facilities for primary and elementary schools;
- community-based social services;
- all or part of the sanitation programme.

As an additional matter, the municipalities community may delegate, where applicable, its complete or partial authority over social services to an inter-municipal community service centre.

### (iii) The departments

As of 1 January 2014, there were 96 departments in mainland France and five overseas departments (Guadeloupe, French Guiana, Martinique, Reunion Island and Mayotte). The departments came into existence in 1790. The French Consulate (*Consulat*) established in 1800 the general council (*conseil général*) and the Prefect; however, the department was given the status of a local authority by the French law of 10 August 1871.

Since 1982 the department has been the main beneficiary of the transfers of competences. All of the departments' mandates and matters over which they have jurisdiction are derived from the decentralisation laws and primarily relate to public services in the general population's interest (French law no.° 83-663 of 22 July 1983). Except for certain ones specified in the law that remain under the French State's jurisdiction, these public services are as follows: rural facilities, roadways, secondary schools, transportation, the environment, culture, national heritage, municipal aid and land planning.

The French law of 13 August 2004 expanded the department's role in social services by setting forth that as from 1 January 2005 the "*department defines and applies the social service policy*" while being mindful of the matters entrusted to the French State and other local authorities. The department also coordinates the initiatives undertaken in its region.

The French law of 16 December 2010 established the departments' "specialisation of competences" stipulating that the general competence clause would be abolished beginning on 1 January 2015 and replaced by exclusive competences. However, the first article of the MAPTAM law reinstated the general competence clause set forth in Article L.3211-1 of the CGCT, which provides "*the general councils settle through their deliberations the matters concerning the departments.*"

Another major milestone of the French law of 16 December 2010 is the replacement of the general and regional councillors with territorial councillors by March 2015. However, this proposal was abolished by the operation of French law no. 2013-403 of 17 March 2013.

Within the context of the territorial reforms announced by the government in June 2014, the department's level and scope were redefined and made public in October 2014. The departments may either be (i) maintained in their current form as regards rural departments, (ii) scaled back in departments where there is heightened inter-municipal cooperation or (iii) merged with metropolitan areas on the territories in which they were established.

The matters over which the department has competences are as follows:

- A variety of social services and initiatives headed up by the departments including child welfare assistance, assistance for people with disabilities, elderly assistance and the distribution of the earned income supplement (*Revenu de Solidarité Active (RSA)*).
- With respect to education, culture and national heritage, the departments have authority over the construction, reconstruction, extension, large-scale repairs and running of the secondary schools and the management of departmental archives. Under this law, the department is tasked with recruiting and managing, especially in terms of wages, the non-teaching staff (technicians, workers and service staff) in the secondary schools.
- With respect to health, the department is responsible for protecting the health of families and children. Since the French law of 13 August 2004, the departments (similar to the municipalities and the regions) can now spearhead initiatives for vaccination programmes as well as for prevention and fight against the spread of TB, leprosy, HIV and STDs under an agreement with the French State.
- As the departments also have control over the layout and the facilities, they bear the maintenance costs and make investments in the departmental roadways as well as certain parts of the National highways since the entry into force of the French law of 13 August 2004.
- In terms of economic initiatives, the departments have been able to help finance direct aid to companies, as defined by the regional council, since the French law no. 2002-276 of 27 February 2002 relating to local democracy. Such financing is made pursuant to an agreement with the region. The department may also grant indirect aid to companies. In addition to these modes of financing, the departments are now authorised by the French law of 13 August 2004 to set up their own assistance programmes contingent upon approval from the region, which coordinates over its territory the economic development initiatives.

(iv) The regions

The French order dated 28 October 1956 established the regions and 21 regions were subsequently formed. They were conferred the status of a local authority by Article 59 of the French law no. 82-213 of 2 March 1982. There are currently 22 regions in mainland France and five regions overseas.

According to its territorial reform proposal issued in June 2014, the government announced the scale-back from 22 to 13<sup>40</sup> regions in mainland France by 2015-2016. Such measure would bolster the remaining regions' authority over economic development matters.

In the same way it did for the departments, the MAPTAM law reinstated the general competence clause for the regions with respect to the "regional matters" set forth in Article L. 4221-1 of the CGCT (which the French law of 16 December 2010 had abolished).

In the aftermath of the decentralisation laws, the regions are now primarily involved in transportation (costs related to the regional express train known as the "TER"), professional training and economic activities:

- Transportation: the regional councils have had authority over the organisation of the railway transportation since the end of the 1990s. They sign agreements with the SNCF (national railway company) on the routes to put in place, the number of change-overs, the fares and acceptable delays.
- Professional training: the region draws a regional development plan on professional training and an apprenticeship and professional training programme (which now fall under the regional development plan on professional training).
- Economic development: this is the main area to which the regions devote their attention, as confirmed by the French law of 13 August 2004. In reality, all of the local authorities are involved in economic development; however, the region now "*coordinates over its territory the economic development activities of the local authorities and their groupings.*"

The regions also have competences in the following domains:

- Land development and planning: the regions draw up a regional planning and territorial development plan, signs agreements for joint projects between the French State and the regions, etc.
- Education, professional training and culture. The regions are also competent in the following matters: construction, reconstruction, extension, large-scale repairs, facilities and running of high schools and special education facilities, marine vocational high schools and financial assistance to a large number of research and academic institutions (2000 University Plan). The regions also have control over the organisation and financing of regional museums, the conservation of regional archives (which they can confer to the department by agreement), the general inventory of the national heritage buildings, monuments and artwork that belong to the French State or the *Centre des monuments nationaux* (National Heritage Centre), which appear on a list established by decree of the French Council of State.
- With respect to health matters falling within their remit, the regions (similar to the municipalities and the departments ) can now spearhead initiatives for vaccination programmes as well as for prevention and fight against the

<sup>40</sup> In accordance with law no. 2015-29 of 16 January 2015 relating to the delineation of regions, regional and departmental elections and the amendment to the electoral calendar.

spread of TB, leprosy, HIV and STDs under an agreement with the French State.

(v) Special status local authorities

According to Article 72, 1st paragraph, of the French Constitution of 1958: "*The Republic's local authorities are the municipalities, the departments and the overseas territories. Any other local authority shall be created by law.*" As of the date hereof, only two special status local authorities, as defined by the aforementioned article, have been set up under the legislation<sup>41</sup>.

The first is Corsica (the **CTC**), established under French law no. 82-214 of 2 March 1982 relating to the special status of the Corsica region, which conferred for the first time ever a status separate from that of the other regions. This law was superseded by French law no. 91-428 of 13 May 1991 and then by French law no. 2002-92 of 22 January 2002 relating to Corsica.

The CTC has a specific institutional framework under which it is largely independent in managing its affairs and has authorities that are normally conferred upon regions. Additionally, the scope of some of the matters over which it has control has been broadened, such as national heritage conservation.

The second special status local authority is the *Métropole de Lyon*, which was established with delayed effect as of 1 January 2015 under the MAPTAM law. Despite its being called a "metropolitan area," the *Métropole de Lyon* actually is a "special status local authority" as defined under Article 72 of the French Constitution. In addition to the competences of a metropolitan area as listed in Article L. 5217-2 of the CGCT, the *Métropole de Lyon* now has competence in all the matters that were previously performed by the Rhône department.

Corsica and the *Métropole de Lyon* are still local authorities in their own right despite having an *ad hoc* status. Unless otherwise stipulated by law, they are both subject to the same rules and main principles.

### 5.3 Overall description of the political and governance systems of the guarantors

(a) Overall description of the political and governance systems of the Local Authorities

All of the Local Authorities are comprised of:

- a directly-elected deliberative assembly (a municipal, general or regional council). With respect to the EPCIs, the members of their deliberative assembly are not directly elected, but are actually appointed by their respective body of representatives;
- an executive body elected from among the members of the deliberative assembly (mayor and deputies, chairs of the general and regional councils, EPCI chairs).

In addition to these two bodies, the regions also have a regional economic, social and environmental council.

<sup>41</sup> New Caledonia, which also has a special status, is governed by Title XIII of the French Constitution of 1958.



- (b) Specificity for each type of guarantor
- (i) The municipalities

The municipality has two decision-making bodies:

- **the municipal council:** a directly elected decision-making body that handles the municipality's matters through its deliberations;
- **the executive body,** comprising the mayor and his/her deputies. The mayor is elected by the municipal councillors at the first session of the newly-formed municipal council and he/she is alone responsible for running the administration. However, he or she may delegate certain duties to one or more deputies under his/her supervision and responsibility. Such delegations shall be limited to a specific purpose and may be withdrawn at any time.

### **The role of the municipality's mayor**

The mayor is both an official of the French State and the municipality, given that it is a local authority. His/her authority derives from his/her election by secret ballot by the municipal council generally held at the first meeting held right after the municipal elections.

As a State official, the mayor serves under the Prefect. He or she carries out administrative duties such as posting laws and regulations and organising elections. Under the authority of the State Prosecutor (*Procureur de la République*), the mayor also handles legal matters as a registrar of vital records and an officer of the French judicial police.

As the municipality's executive official, the mayor is tasked with executing the decisions of the municipal council and is under the latter's control and supervision. The mayor's mandate includes representing the municipality in legal proceedings, awarding contracts, signing agreements, preparing the budget and managing assets.

Given that his or her authority is delegated by the municipal council, the mayor is accountable to it and reports on his or her work. The delegations of authority are extremely varied (appropriation of municipal property, contracting loans, adding new classes in schools, legal proceedings) and may be withdrawn at any time. The French law no. 2004-809 of 13 August 2004 on the local liberties and responsibilities authorises the mayor to sub-delegate to either a deputy or municipal councillor the powers conferred to him/her by delegation.

The mayor also has special powers. With respect to the administrative police, he or she is responsible for maintaining public order, which is defined by the CGCT as upright public order, security, safety and public health. It also involves specific policies and restrictions (swimming, traffic, etc.). The mayor also heads up the municipal administration: he or she is in charge of the municipal officials and has power over organising the services.

### **The decision-making body: the municipal council**

The municipal council rules on the matters of the municipality in its deliberations. It issues its opinion each time the legislation or the State representative requires it to do so.

It submits resolutions on all matters in the local population's interest: it votes on the budget and approves the administrative account (the executed budget). It also has the authority to establish or close down municipal services, make decisions on public works projects, manage the municipality's common property and grant aid to boost economic development.

The municipal council settles the matters within its remit by approving "deliberations," which means the decisions voted in by a majority of its members. It may set up commissions that are authorised to review certain matters.

The municipal council meets at least quarterly and the meeting agenda drawn up by the mayor must be posted prior to the start of the session. The meetings are open to the public unless the council decides to have closed proceedings, or the mayor exerts his/her authority to expel or bar any individuals disrupting or becoming aggressive during the meeting, thereby restricting access to the proceedings.

In the event of a serious breach, the municipal council can be dissolved by decree of the Council of Ministers.

- (ii) Tax-raising EPCIs: the conurbation community, the urban authority, the metropolitan area and the municipalities community

#### **The executive body: the Chairperson of the EPCI**

The chairperson is the EPCI's executive body. He or she is elected by secret ballot by the EPCI council from among the municipal delegates. He or she prepares the deliberations of the EPCI council and makes sure that such deliberations are carried out.

The chairperson authorises spending, prescribes how revenue will be implemented, and oversees the running of the services.

Under his/her supervision and responsibility, the chairperson may delegate by decree some of his/her duties to assistant chairs or other officers of the assembly.

#### **The decision-making body: the EPCI council**

The community is governed by the EPCI council, a decision-making body representing its form of administration.

For municipalities with more than 1,000 inhabitants, the EPCI council is made of directly-elected delegates from among the candidates placed at the top of list of the municipal council election ballot. For municipalities with fewer than 1,000 inhabitants, the community councillors are appointed in the order of priority set forth in a table established at the time of the municipal elections. The number of seats that a municipality has on the council is determined on a pro rata basis. However, this pro rata distribution may be adjusted so that all municipalities have a seat and the representation of the region in each EPCI is balanced. The number of elected officials per municipality therefore varies with respect to the size of the member municipalities. Following their election, the officials represent their municipality on the EPCI council.

The members of the decision-making body may assemble together and form political parties.

The EPCI council can be compared to a municipal council: the mayor corresponds to the chairperson, the deputies to the assistant chairs and the members of the decision-making body to the municipal councillors. As is the case for the municipal council, the term of office is for a six-year period.

The EPCI settles through its deliberations the matters that fall within the EPCI's remit. All of the proceedings passed by a majority of the members of the EPCI council are submitted to the Prefect for review. At each council meeting, the chairperson reports on the work of the committee and the powers that were used in virtue of the council's delegations. The council must meet at least once a quarter upon a notice of call issued by its chairperson.

The EPCI council may delegate some of its powers to the chairperson and the committee.

### **The other structures**

- ***The committee (bureau)***

In performing his or her duties, the chairperson is assisted by a committee (*bureau*), known as the EPCI committee.

Such committee is elected by the EPCI council and its membership includes the chairperson, assistant chair(s) (number of which cannot exceed 20% of the council) and any other member(s).

The committee members are voted in from among the council members, according to the defined rules for electing the mayor and deputies. New elections for the chairperson as well committee members are held at the same time.

The committee rules on all the decisions related to the proper running of the administration and determines the scope of the commissions' work. The EPCI council may delegate authority to the committee to make decisions on its behalf.

The French law no. 99-586 of 12 July 1999 made it possible to delegate to the committee a certain number of the EPCI council's powers in order to facilitate and speed up the decision-making process, while ensuring that the EPCI council remains the key deliberative body.

- ***The commissions***

The commissions have an advisory role and are presided over by an assistant chairperson and composed of members of the EPCI council. The chairperson of the EPCI council is an *ex officio* member of all of the commissions.

(iii) The departments

### **The executive body: the role of the chairperson of the departmental council<sup>42</sup>**

<sup>42</sup> The term "departmental council" will soon replace "general council", which will remain applicable until the next scheduled elections of these decision-making bodies expected to take place in 2015.

The chairperson of the departmental council is the department's executive body. He or she is elected from among the members of the departmental council at the first session following each three-year renewal of the assembly. The chairperson has a three-year term of office and is eligible for re-appointment. He or she is assisted by a standing committee from which the assistant chairpersons are elected.

As the executive body, the departmental council's chairperson prepares the debates and puts into action the council's decisions. He or she approves the department's expenditure and prescribes how the revenues are implemented. He or she reports on the department's affairs and situation to the departmental council each year.

The chairperson may delegate the assistant chairpersons to perform some of his/her duties (similar in manner as the mayor to his/her deputies). The chairperson and the assistant chairperson together form the committee (*bureau*).

### **The decision-making body: the departmental council**

The departmental council is the deliberative assembly of the department (as a local authority) and is comprised of the departmental councillors. The council has a six-year term and half of its members are renewed every three years.

Since the entry into force of the French law no. 82-213 of 2 March 1982, the departmental council settles, through its deliberations, the department's affairs, such as establishing departmental public services and managing its assets and budget.

Following each renewal of members, the departmental council holds a meeting presided over by its oldest member and elects its chairperson. It meets at least once a quarter to deliberate on a set agenda at the invitation of its chairperson or at the request of the standing committee (which includes the chairperson and 4 to 15 assistant chairs) or one-third of its members. It draws up its internal rules of procedure and may establish sub-committees.

An absolute majority of its members is required to vote on its deliberations, meaning in this case the decisions made by the assembly.

Given the nature of their powers, the departmental councillors must be informed of all of the departmental matters that will be discussed and debated. Accordingly, they receive a report on each resolution to be submitted to their approval at least twelve days before each meeting.

The meetings are open to the public unless the council decides to have closed proceedings, or the chairperson exerts his/her authority to expel or bar any individuals disrupting or becoming aggressive during the meeting, thereby restricting access to the proceedings.

#### (iv) The regions

### **The executive body: the chairperson of the regional council**

As the executive body, the chairperson of the regional council manages the region and is backed up by a standing committee and a committee (*bureau*). The chairperson is elected at the first meeting following the renewal of the regional council. He or she is elected by the council from among its members by an absolute majority in the first two ballots or by a relative majority in the third ballot. The term of office is for a six-year period.

The following powers are conferred to the chairpersons of the regional councils:

- They assemble council meetings over which they preside and ensure that these meetings are conducted in due and proper form (agenda, suspension of meetings, reading of the rules of procedure, etc.).
- They prepare the deliberations of the regional council. They recognise revenue and approve expenditure. As the region's legal representatives, they sign the orders and agreements. They report on the region's affairs and situation to the council each year.
- They are at the head of the regional administration. They may call upon the decentralised government services should the need arise.
- They are the stewards of the *domaine régional* (the region's natural realm including the forests, gardens, shore lines, etc.).

The chairperson may delegate some of his/her duties to the assistant chairs, who are appointed from among the members of the standing committee. The chairperson and the assistant chairs together form the committee (*bureau*).

### **The decision-making body: the regional council**

The regional political system is based on the regional council, its deliberative assembly. Regional councillors are elected for six-year terms to serve on the council and half of them are renewed every three years.

Through its deliberations, the regional council settles the regional matters, which means the decisions voted in by a majority of its members. It issues an opinion on development and planning issues on which it must be consulted. It draws up its internal rules of procedure, which set out the number of members, the areas of competence and the running of commissions.

The regional councils hold their meetings as follows:

- full board meetings to deliberate on a set agenda are held at least once a quarter at the invitation of the chairperson or at the request of the standing committee or one-third of the members;
- a report on each item of business to be debated is sent to the regional councillors at least twelve days before the meeting to ensure that they have all necessary information;
- the meetings are open to the public unless the council decides to have closed proceedings, or the chairperson exerts his/her authority to expel or bar any individuals disrupting or becoming aggressive during the meeting, thereby restricting access to the proceedings.

In the event that it is no longer possible for the regional council to conduct its affairs properly, the government may dissolve it by a decree from the Council of Ministers.

### **The role of the standing committee**

The standing committee derives its role from the regional council and its membership includes the chairperson and assistant chairs of the regional council as

well as any other member(s). The regional council may delegate some of its duties to the standing committee except those related to voting on the budget and approving the administrative account (executed budget). The standing committee replaces *de facto* the regional council in between meetings.

### **The regional economic, social and environmental council (CESER)**

The regional economic, social and environmental council is an advisory body, which has anywhere between 40 and 110 members depending on each individual case. It reassembles representatives broken down into four socio-professional categories: businesses and self-employed entrepreneurs; the most representative trade unions; associations involved in the regional community life<sup>43</sup> and qualified experts in regional development. These members are appointed (i.e., not elected) for a six-year renewable term.

As the CESR only carries out an advisory role with regional political authorities, it therefore only issues an opinion and not a decision.

The chairperson of the regional council may request the CESR's opinion on economic, social or cultural projects. The CESR may also take it upon itself to issue an opinion on any matter falling within the region's competence.

## **5.4 Budgetary principles**

### (a) Budget system

#### (i) Overview of the key budgetary principles of public finances

The CGCT as well as the accounting nomenclatures applicable to local authorities provide the following budgetary and accounting principles which are listed below:

- **Principle of annuality** requires that the budget be programmed for a twelve-month period starting on 1 January and ending on 31 December and that each local authority adopts its budget for the upcoming year prior to 1 January. They may request a legal extension until 31 March in the year to which the budget applies or until 15 April for the years in which the local deliberative assemblies were renewed. Nevertheless the application of this principle has been relaxed since the entry into force of French decree no. 2005-1027 of 26 August 2005 (on simplifying and managing budgetary and accounting rules applicable to local authorities) due to the growing use of the plurality budgeting process.
- **Principle of equilibrium:** this implies that budget is based on a fair assessment of revenues and expenditures and that total operating and investment revenues equal total operating and investment expenditure.
- **Principle of unity** implies that the revenues and expenditures are recorded in a single document, i.e., the local authority's general budget. However other ancillary budgets may be appended to the general budget in order to trace back transactions of certain services and/or local government institutions.

<sup>43</sup> This third category includes representatives of environmental protection associations and foundations as well as qualified individuals selected for their renowned expertise in sustainable development (Article R. 4134-1 of the CGCT).

- **Universality principle** implies that all revenue and expenditure are entered in full without any adjustment against each other. This underpins the requirement of truthfulness in budgetary documents, which specifies that revenue finances expenditure equally.
- **Principle of specification** consists in authorising an expenditure to only one specific service or purpose. Therefore, loans are appropriated to a service or a group of services and are divided into chapters grouping together expenditures according to type and purpose.

In cooperation with the regional accounting office (*chambre régionale des comptes* (CRC), the Prefect audits the principles under which the local budgets are prepared.

(ii) Budgetary and accounting instruction

The budgetary and accounting instructions that apply to local authorities, EPCIs and mixed syndicates vary in relation to each authority. The accrual basis of accounting is used with a double-entry method (credit and debit) maintained by an accountant at the Treasury. The budgetary and accounting instruction applicable to the Members depends on the category in which they belong. The numerical references to the applicable charts of accounts are as follows:

- **M14** for municipalities and EPCIs
- **M71** for regions
- **M52** for departments

(iii) The Members' budgetary framework

Given that they are legal entities, the Members have their own assets and prepare their own budget. The Members have a legally-recognised financial autonomy to handle the various matters over which they have control, such as the annual vote on the preliminary budgets (**PB**) and forecasting and authorising the revenues and expenditure. The recognised transactions are then recorded in the administrative accounts (**AA**) voted on by the Members. The Member's executive body prepares the budgets.

The budget is a document that forecasts and authorises revenues and expenditures. It may be necessary over the course of a year to prepare supplementary or amending budgets to adjust the revenues and expenditures to reflect the actual inflows and outflows.

For all Local Authorities, the budget is divided into two sections—operating and investment:

(A) The operating section includes:

- all necessary operating expenditures for the local authority (general expenses, payroll expenses, routine administrative expenditure, debt service payments, depreciation charges, provisions);
- all revenue that the local authority may receive from transfers of expenditures, provision of services, government contributions, taxes

and any reversal of depreciation and provisions that local authority is able to make.

(B) The investment section includes:

- under expenses: debt repayments and local authority's capital expenditure (work in progress, transactions on behalf of third parties, etc.);
- under revenues: loans and government grants and subsidies.

(b) Local finance rule

The CGCT imposes a financial restriction on local authorities that prohibits them from borrowing to reimburse the principal on their debt.

Article L. 1612-4 of the CGCT sets forth such restriction as follows: "*The budget of the local authority is in true balance when the operating and investment sections voted are in balance, revenue and expenditure having been assessed truthfully, and when the drawdown of revenue in the operating section for the benefit of the investment section, added to the revenue specific to this section, and excluding the revenue of loans and any provisions to amortisation and provisions accounts, provides adequate resources to cover the reimbursement of principal of loan payments to fall due during the year.*"

Moreover, borrowings can only be made to finance capital expenditure and not for operating expenses.

## 5.5 Audits and controls applicable to the Members' accounts

French law. no 82-213 of 2 March 1982 abolished all *ex ante* control over the acts of local authorities. The budgets voted by each local authority are now enforceable as a matter of law upon promulgation and transmission to the Prefect, who is the State representative in the department.

The budgetary acts of the local authorities fall under two *ex post facto* controls: (i) administrative acts are subject to the general law control of legality and (ii) budgetary acts are subject to the special procedures of budgetary, jurisdictional and management control conducted by the CRCs.

(a) Law applicable to Members

- the CGCT;
- French decree no. 2012-1246 of 7 November 2012 on budgetary management and public accounting;
- finance laws (*loi de finances*);
- applicable accounting instructions:
  - M14: accounting of municipalities and EPCIs
  - M52: accounting of the departments
  - M52: accounting of the regions



- codifying instruction no. 11-022-M0 of 16 December 2011 on the collection of revenue by local authorities and local public institutions.

(b) Control by the public accountant

The public account performs the financial transactions and keeps a management account to record all of the local authority's expenditure and revenue.

He or she inspects that the expenses are recorded in the appropriate budgetary chapter and that the revenues come from a legal source. The public accountant cannot make any inspection as to appropriateness and therefore cannot assess the relevance of the choices with respect to policy made by the local authorities since they govern themselves freely. Otherwise, the instructing party can "place a demand" on the accountant, i.e., force him/her to pay.

The accountant rejects any payment authorised by the instructing party whenever he or she detects an illegality.

Public accountants are held personally and financially liable for the payments they make. In the event of a discrepancy, the Minister of Finances can issue a reversal order that forces the accountant to pay out of his/her own pocket the corresponding sum immediately.

The EPCIs are subject to the provisions of Chapter VII of the single title in Book VI of the first part of the CGCT on the public accountant.

(c) Prefect's control of legality

Article L.2131-6 of the CGCT<sup>44</sup> provides that the Prefect defers any acts he deems contrary to the law to the administrative court within two months following their transmission to the Prefecture. The control of legality focuses on the conditions under which the budgetary documents and their appendices are prepared, adopted and presented.

As a rule, the deliberations of the Members' decision-making bodies must be submitted to the Prefect so he can perform the control of legality. Therefore, the deliberations in which the Guarantee Commitment are authorised will be submitted to the control of legality.

The provisions of the CGCT on the control of legality and enforceability of the acts of the municipal, departmental and regional authorities are also applicable to EPCIs.

(d) Role of the Regional Accounting Office (*Chambres Régionales des Comptes*)

The French law no. 82-213 of 2 March 1982 established the Regional Accounting Offices (abbreviated "CRC") comprised of permanent magistrates, thereby counter-balancing the elimination of the government's *a priori* control over the acts of the local authorities. The powers of these courts are defined by law, but are also reflected in Articles L. 211-1 *et seq.* of the French Financial Jurisdiction Code (*Code des juridictions financières*).

The power of a CRC extends to all the local authorities within its geographical jurisdiction, whether they are municipalities, departments or regions, but also to their public institutions (including EPCIs and mixed syndicates).

<sup>44</sup> This Article is applicable to municipalities. Similar provisions exist for departments (Article L.3132-1 of the CGCT), regions (Article L.4142-1 of the CGCT) and EPCIs (Article L.5211-3 of the CGCT).

In this context, the CRC's power of control is threefold. The first one is a budgetary control, which replaced the control exercised by the Prefect prior to French law no. 82-213 of 2 March 1982. The second control is legal in nature and ensures that the transactions undertaken by the public accountant are compliant with applicable rules. The third control relates to management to verify ultimately that revenue received and expenditure incurred is made in a lawful and regular manner.

(e) Budgetary control

According to Articles 1612-1 to L. 1612-2 of the CGCT, the CRC control focuses on the preliminary budget, the amending decisions and the administrative account.

The CRC takes action in four cases when:

- the preliminary budget is adopted post-deadline (after March 31, except for years when the deliberative assemblies are renewed and the deadline is extended to 15 April). Beyond a two-week submission period, the Prefect must notify the CRC, which makes its recommendations within a month.
- the voted budget is not actually balanced (revenues do not cover expenditures). This triggers three consecutive one-month periods: (i) one month for the Prefect to notify the CRC, (ii) one month for the CRC to make its recommendations, and (iii) one month for the local authority's decision-making body to bring itself in compliance and correct the budget, otherwise the Prefect amends the budget himself.
- a compulsory expenditure is not recognised in the budget. Although the same time periods apply, the CRC, who may also be contacted by the public accountant, sends a formal notice to the local authority in question.
- the budget is running a deficit (i.e., the sum of results of the two sections of the administrative account is negative) of more than 5% or 10% of the revenues of the operating section. Depending on the size of the local authority, the CRC puts forth measures for rectifying this within one month as from the date it was notified. The CRC also validates the preliminary budget for the following year.

(f) Jurisdictional control

The CRC forms an opinion on all the accounts prepared by the public accountants of the local authorities and their public institutions, such jurisdictional control being the CRC's original mandate. Such control verifies that transactions made by the public accountants were legal and in compliance. It not only consists in checking that the accounts are accurate, but verifying that the accountant has indeed exercised all the controls he/she is required to make. However, conducting any control as to appropriateness is prohibited under French law no. 2001-1248 of 21 December 2001 on the CRC and the Public Finance Courts. The CRC determines and recognises accounts as accurate according to decisions as to whether irregularities have been found.

(g) Management control

The CRCs is also mandated with controlling the management of local authorities. This control is to examine as to whether the management of these authorities is sound and in compliance. It not only considers the financial balance of the

management transactions and type of means used, but also the results obtained in comparison to the means and results of the measures undertaken. The CRCs form a conclusion as to the compliance of the transactions and the economy of the means used, and not one in terms of appropriateness of the acts undertaken by the local authorities. First and foremost, they support and encourage the authorities to comply with the law in order to avoid any sanctions.

(i) Impact of the CRC letter containing observations

Three major issues are covered in the letters of observation:

- balanced use of public finances;
- contained management of public services;
- compliance with public service key principles.

This mandate does not, however, sufficiently cover the requirements as the CRCs send their final letters of observations two to five years after the financial year close. A copy of these letters may be sent to any citizen who requests one.

(ii) New forms of control

The way in which the CRC operates has undergone changes.

The "improvement and decentralising" French law no. 88-13 of 5 January 1988 required a preliminary meeting at the time of the control to be scheduled not only between the reporting judge and the head of the authority, but also with any persons responsible during the time period under audit. These provisions endeavour to improve the external control (uniform practices over the entire territory and confidentiality).

The CRCs make it a priority to check the efficiency of public policies. While it is not up to them to judge the municipality's decisions themselves, they make sure that the municipalities have adopted a structured organisation for their services and defined clear objectives, which are formally evaluated as well as tracked by performance indicators.

## TAXATION

*The following is a summary limited to certain considerations concerning withholding tax applicable in France and Europe to payments in respect of Notes.*

*Prospective investors' attention is drawn to the fact that the comments below are simply an overview of the applicable tax regime, based on tax laws currently in force, and are subject to modification. Such summary is provided by way of general information and does not purport to be a comprehensive analysis of all tax considerations that may be relevant to Noteholders. It is therefore recommended that prospective investors should consult with their usual tax adviser to examine their individual circumstances in detail.*

### **1. EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME IN THE FORM OF INTEREST PAYMENTS**

Under the EC Council Directive 2003/48/EC on taxation of savings income (the **Savings Directive**) Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a directive amending and widening the scope of certain requirements described above. Member States are obliged to apply these new changes from 1 January 2017. The amendments expand the scope of payments covered by the Savings Directive, in particular by including additional types of income payable on securities. The Directive also widens the circumstances under which payments which indirectly benefit an individual resident in a Member State must be disclosed. This approach will apply to payments made to or secured for the benefit of, or by, persons, entities or legal structures (including trusts), where certain conditions are met, and may, in certain circumstances, apply where the person, entity or structure is established or effectively managed outside the European Union.

For a transitional period, Austria will (except if it decides otherwise) impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented.

The end of this transitional period depends on the conclusion of others agreements relating to information exchange with some other countries. Several countries and territories outside the EU, including Switzerland, have adopted similar measures (a withholding tax system in the case of Switzerland).

### **2. FRANCE**

#### **2.1 Implementation of the Savings Directive in France**

The Savings Directive was transposed into French law under article 242 *ter* of the French *Code général des impôts* and articles 49 *I ter* to 49 *I sexies* of Annexe III to the *Code général des impôts*. Article 242 *ter* of the *Code général des impôts* requires paying agents located in France to provide to the French tax authorities certain information in relation to interest paid to beneficial owners domiciled in another Member State and in particular the identity and address of the beneficial owner of such interest and a detailed list of the different forms of interests paid to such beneficial owners.

## 2.2 Withholding tax in France

The payments of interest and other revenues made by the Issuer with respect to Notes are not subject to the withholding tax set out under article 125 A III of the French *Code général des impôts*, unless such payments are made outside France in a non-cooperative State or territory within the meaning of article 238-0 A of the *Code général des impôts* (a **Non-Cooperative State**). If such payments under the Notes are made in a Non-Cooperative State, a 75% withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double taxation treaty) by virtue of article 125 A III of the *Code général des impôts*.

Furthermore, according to Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes will not be deductible from the Issuer's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid to a bank account opened with a financial institution located in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 et seq. of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis 2 of the French *Code général des impôts*, at a rate of 30% or 75%, subject to the more favourable provisions of any applicable double tax treaty.

Notwithstanding the foregoing, the 75% withholding shall not apply in respect of an issue of Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the **Exception**).

Pursuant to the *Bulletin Officiel des Finances Publiques – Impôts*, *BOI-INT-DG-20-50-20140211*, *BOI-RPPM-RCM-30-10-20-40-20140211*, *BOI-IR-DOMIC-10-20-20120912* and *BOI-ANX-000364-20120912*, an issue of Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Notes, if such Notes are:

- (i) offered in the context of an offer to the public of financial securities under Article L.411-1 of the French *Code monétaire et financier* or an equivalent offer made in a State other than a Non-Cooperative State. An equivalent offer means an offer for which it is obligatory to register or submit an information document to a foreign financial market authority;
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system, provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment service provider, or by such other similar foreign entity, provided further that such market operator, investment service provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

## 2.3 Payments received by individuals who are fiscally domiciled in France

Pursuant to Article 125 A of the French *Code général des impôts*, subject to certain limited exceptions, interest and similar revenues received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 24% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, BRRDS and other related contributions) are also levied by way of withholding

tax at an aggregate rate of 15.5% on interest and other similar revenues paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

### 3. LUXEMBOURG

The following summary is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

We draw your attention to the fact that reference to "residence" which is used in the paragraphs below solely applies for the purposes of Luxembourg tax law. Any reference in the present section to withholding tax or tax of a similar nature only refers to Luxembourg tax laws and/or concepts.

#### 3.1 Non-resident holders of Securities

In accordance with Luxembourg general tax laws in force at the date of this Base Prospectus and subject to the laws of 21 June 2005 (the **Laws**) as amended later (the **Savings Law**), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes. Moreover, subject to the application of the Savings Law, no Luxembourg withholding tax is payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Savings Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent Luxembourg fiscal authorities so that the latter will provide such details to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Laws would at present be subject to withholding tax of 35%.

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive. Final terms of the new system are not yet known. Investors should note that the European Commission announced a draft amendment of the Savings Directive. If this project were to be adopted, the proposed amendments would extend, among others, the scope of application of the Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of a European resident individual, and (ii) a wider range of income similar to interest income.

#### 3.2 Resident holders of securities

Under Luxembourg general tax laws currently in force on the date of this Base Prospectus and subject to the law of 23 December 2005, as amended later (the **Relibi Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes. Moreover, subject to the application of the

Relibi Law, there is no Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg for (i) beneficial owners who are individuals resident in the Grand Duchy of Luxembourg or (ii) certain residual entities (as defined by the Savings Law) established in a Member State of the European Union other than Luxembourg or Territories which receive interest payments on behalf of these individuals (unless such entities have chosen assimilation to Collective Investment in Transferable Securities recognised in accordance with Council Directive 85/611/EC or have opted for information exchange) are subject to withholding of 10%. This withholding tax also applies on accrued interest received on the sale, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law would be subject to withholding tax of 10%. The responsibility for payment of the withholding tax lies with the Luxembourg paying agent.

## SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in a dealer agreement in the French language which shall be signed no later than 10 March 2015 entered into between the Issuer, the Permanent Dealers and the Arrangers (the **Dealer Agreement**), the Notes will be offered by the Issuer to the Permanent Dealers. However, the Issuer reserves the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between themselves in respect of Notes subscribed by such Dealer. If appropriate, the commissions in respect of an issue of Notes on a syndicated basis will be specified in the relevant Final Terms. The Issuer has agreed to reimburse the Arrangers for the expenses incurred by it in connection with the Programme, and the Dealers for certain expenses in relation to their role under this Programme.

The Issuer has agreed to indemnify the Dealers against certain types of liability they may incur in connection with the offer and sale of Notes. The Dealer Agreement entitles the Dealers, under certain circumstances, to terminate any agreement they may enter into for the subscription of Notes prior to payment for such Notes being made to the Issuer.

### 1. GENERAL

These selling restrictions may be amended by mutual agreement between the Issuer and the Dealers in particular following any change to any applicable law, regulation or directive. Any such amendments shall be set out in a supplement to this Base Prospectus.

Each Dealer has undertaken to comply, to the fullest extent of the information in its possession, with all relevant laws, regulations and directives in each country in which it buys, offers, sells or delivers Notes or in which it holds or distributes the Base Prospectus, any other offer document or any Final Terms and neither the Issuer nor any of the Dealers shall incur any liability in respect thereof.

### 2. EUROPEAN ECONOMIC AREA

In relation to each member State which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and warranted that with effect from the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, on and from the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a Base Prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such Base Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such Base Prospectus or Final Terms, as applicable;
- (b) at any time to any legal entity which is a qualified investor as defined under the Prospectus Directive;



- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers appointed by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or the Dealer(s) to publish a Base Prospectus pursuant to Article 3 of the Prospectus Directive or any supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision (a) the expression an **offer of Notes to the public** in any Relevant Member State means the communication in any form and by any means whatsoever of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide or not to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive and (b) the expression **Prospectus Directive** means Directive 2003/71/EC of the European Council and Parliament dated 4 November 2003 as amended (as amended, including the provisions of Prospectus Amending Directive, following implementation in Relevant Member States) and includes any measure of the Prospectus Amending Directive transposition in each Relevant Member State and (c) the term **Prospectus Amending Directive** means Directive 2010/73/EU of the European Parliament and of the Council dated 24 November 2010.

### 3. UNITED STATES OF AMERICA

The Notes have not and will not be registered pursuant to the United States Securities Act of 1933 (*U.S. Securities Act*) as amended (the **U.S. Securities Act**). Subject to certain exceptions, Notes may not be offered or sold or, in the case of Materialised Notes, delivered in the territory of the United States of America or to, or for the benefit or on behalf of, U.S. Persons as defined in Regulation S of the U.S. Securities Act (**Regulation S**). Each Dealer has undertaken and each new Dealer will be required to undertake, not to offer or sell any Note, or in the case of Materialised Notes, to deliver such Notes in the territory of the United States of America except in compliance with the Dealer Agreement.

Materialised Notes with a maturity of greater than one year are subject to U.S. tax rules and may not be offered, sold or delivered in the territory of the United States of America or any of its possessions or to U.S. Persons, with the exception of certain transactions which are permitted under U.S. tax laws. Terms used in this paragraph shall have the meaning given to them in the U.S. Internal Revenue Code of 1986 and regulations made thereunder.

In addition, the offering or sale by any Dealer (whether or not participating in the offering) of any identifiable tranche of Notes within the United States of America within the first forty (40) days after the commencement of the offering, may violate the registration requirements under the U.S. Securities Act.

### 4. UNITED KINGDOM

Each Dealer has represented and agreed and each new Dealer will be required to represent and agree that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve acquiring, holding, managing or selling financial products (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom, other than to persons whose ordinary activities involve acquiring, holding, managing or selling financial products (as

principal or agent) for the purposes of their business or to persons who may reasonably be expected to acquire, hold, manage or sell financial products (as principal or agent) for the purposes of their business, where the issue of the Notes would otherwise constitute a violation of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**);

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not and will not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## 5. ITALY

This Base Prospectus has not been and shall not be published in the Republic of Italy in connection with the offering of Notes. The offering of Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**Consob**) in the Republic of Italy in accordance with the Legislative Decree No. 58 of 24 February 1998 as amended (the **Financial Services Law**) and the Consob regulation No. 11971 of 14 May 1999 as amended (the **Issuer Regulation**) and, accordingly, the Notes may not be and shall not be, offered, sold or delivered, directly or indirectly, in the Republic of Italy in connection with an offer to the public, and no copy of this Base Prospectus, the relevant Final Terms or any other document relating to the Notes may be, nor shall be, distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*), as defined in article 100 of the Financial Services Law and article 34-ter, paragraph 1(b) of the Issuer Regulation, or (b) pursuant to any other public offer exemption in accordance with article 100 of the Financial Services Law and regulations made thereunder, including article 34-ter, first paragraph, of the Issuer Regulation.

Any offer, sale or delivery of Notes and any distribution of this Base Prospectus, the relevant Final Terms or any other document relating to the Notes in the Republic of Italy in accordance with paragraphs (a) and (b) above must and shall be made in compliance with applicable Italian laws, in particular those relating to securities, taxation and trade and all other applicable laws and regulations and more specifically:

- (a) must and shall be made by an investment firm, bank or financial intermediary authorised to conduct such activities in the Republic of Italy in accordance with the Financial Services Law, Consob regulation No. 16190 of 29 October 2007 (as amended) and legislative decree No. 385 of 1<sup>st</sup> September 1993 as amended; and
- (b) must and shall be made in accordance with all laws and regulations or requirements and restrictions imposed by the Consob, the Bank of Italy and/or any other Italian authority.

It is the sole responsibility of Investors who subscribe for an offering of Notes to ensure that the Notes subscribed in connection with the offer have been offered and sold in accordance with applicable Italian laws and regulations. No person residing or located in the Republic of Italy, other than original addressees of this Base Prospectus, may rely on this Base Prospectus, the relevant Final Terms or any other document relating to the Notes.

## 6. FRANCE

Each of the Dealers and the Issuer has represented and agreed as follows:

**(a) Offers to the public in France:**

it has only and will only offer Notes to the public in France in the period beginning (a) as from the date of publication of the Terms relating to these Notes and (b) ending at the latest on the date which is 12 months after the date of the visa of the AMF for this Base Prospectus; or

**(a) Private placement in France:**

it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France; it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and placements of Notes in France will be made only to (i) providers of portfolio management-related investment services for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a restricted circle of investors, all as defined in and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

**7. SWITZERLAND**

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that Notes issued in Switzerland will be sold or offered in accordance with usual practices and regulations in Switzerland. In relation to Notes issued in Switzerland which will be listed on the SIX Swiss Exchange, the Dealers (if necessary, together with a representative of the stock exchange recognized by SIX Swiss Exchange) shall prepare and provide a Base Prospectus for potential investors in accordance the listing rules of the SIX Swiss Exchange and will provide any additional information that will be required by applicable Swiss law.

## FORM OF FINAL TERMS

Set out below is the Form of Final Terms which will be completed for each Tranche of Notes:

**Final Terms dated [●]**

### AGENCE FRANCE LOCALE

€ 3,000,000,000

*Euro Medium Term Note Programme*

Benefiting from the first demand Guarantees of the Agence France Locale – Société Territoriale and the Members of the Agence France Locale group having subscribed for a loan with the Issuer.

**SERIES No: [●]**

**TRANCHE No: [●]**

**[Brief description and aggregate nominal amount of Notes]**

Issue Price: [●] %

**[Name(s) of Dealer(s)]**

[Any person making or intending to make an offer of the Notes may only do so:

- (1) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a Base Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Base Prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (2) in France as mentioned in Paragraph 8 of Part B below, provided such person is one of the persons mentioned in Paragraph 8 of Part B below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer, nor any Guarantor, nor [the/any] Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

The expression **Prospectus Directive** means Directive 2003/71/EC, as amended<sup>45</sup>.

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a Base Prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the/any Dealer to publish a Base Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Base Prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer,

<sup>45</sup> Insert if a non-exempt offer of Notes is Planned.

nor any Guarantor, nor [the/any] Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

The expression **Prospectus Directive** means Directive 2003/71 / EC, as amended<sup>46</sup>.

## PART A

### CONTRACTUAL TERMS

This document constitutes the Final Terms in respect of the issue of notes described below (the **Notes**) and contains the Final Terms of the Notes. These Final Terms complete the base prospectus dated 6 March 2015 (in respect of which the *Autorité des marchés financiers* (the **AMF**) has granted visa No. 15-079 dated 6 March 2015) relating to the € 3,000,000,000 Euro Medium Term Note Programme of the Issuer [and the supplement[s] to the base prospectus dated [●] (in respect of which the AMF has granted visa No. [●] dated [●])], which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of article 5.4 of Directive 2003/71/EC of the European Parliament and Council dated 4 November 2003, as amended (the **Prospectus Directive**).

The Final Terms shall be read in conjunction with the Base Prospectus and constitute together a prospectus (the **Prospectus**) for the purposes of article 5.1 of the Prospectus Directive. Terms used below shall have the meaning given to them in the Base Prospectus. The Notes shall be issued in accordance with the provisions of these Final Terms together with the Base Prospectus. The Issuer accepts responsibility for the information contained in these Final Terms which, together with the Base Prospectus, contain all material information in connection with the issue of the Notes. Full information on the Issuer, the Guarantors and the offer of Notes is available solely on the basis of the Prospectus constituted by this Final Terms and the Base Prospectus. [An issue specific summary is annexed to these Final Terms<sup>47</sup>.] These Final Terms and the Base Prospectus [and the supplement to the Base Prospectus] are (a) published on the websites of (i) the AMF (www.amf-france.org) and (ii) the Issuer (www.agence-france-locale.fr) [and] (b) available during normal business hours at the head office of the Issuer and the specified offices of the Paying Agent(s) from which copies may be obtained. [The Base Prospectus is also available [on/at] [●].]<sup>48</sup>

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

1. **Issuer:** Agence France Locale
2. **Guarantors** Agence France Locale – Société Territoriale  
*[Specify the actual ceiling of the ST Guarantee]*  
*[Identify Members of Agence France Locale group having subscribed for a loan at the date of issuance of the Final Terms with reference to the website]*
3. **(a) Series:** [●]

<sup>46</sup> Insert if a non-exempt offer of Notes is planned

<sup>47</sup> Include only for issue of Notes with a denomination of less than €100,000.

<sup>48</sup> If the Notes are admitted to trading on a Regulated Market other than Euronext Paris.

- (b) **Tranche:** [●]
- (If the Tranche is fungible with an existing Tranche, specify the characteristics of the Tranche, including the date on which the Notes become fungible).
4. **Specified Currency(ies):** [●]
5. **Aggregate Nominal Amount:** [●]
- [Insert the amount or in the case of an offer to the public, the date of publication of such amount.]
- (a) **Series:** [●]
- (b) **Tranche:** [●]
6. **Issue Price:** [●] % of the Aggregate Nominal Amount of the Tranche [plus accrued interest from *[insert date]* (in the case of fungible issues or first broken coupon, if relevant).]
7. **Specified Denomination(s):** [●] [*one Denomination only for Dematerialised Notes*)]
8. (a) **Issue Date:** [●]
- (b) **Interest Period Commencement Date:** [●][*Specify / Issue Date / Not Applicable*]
9. **Maturity Date:** [●] [*specify the date or (for Floating Rate Notes) the Interest Payment Date in the relevant month and year or the nearest date to the Interest Payment Date in the relevant month and year*]
10. **Interest Basis:** [Fixed Rate of [●] % [[EURIBOR, EONIA, CMS Rate or LIBOR] +/-[●] % Floating Rate]] [Zero Coupon Note] (*other details specify below*)
11. **Redemption basis:** [Subject to any purchase and cancellation or Early Redemption, the Notes shall be redeemed at Maturity Date at [100]% of their Aggregate Nominal Amount]
12. **Change of Interest Basis:** [Applicable (for *Fixed /Floating rate interest Notes*)/ Not applicable]

(If applicable, *specify details for conversion of Fixed/ Floating Rate interest basis pursuant to Condition 4.4*)

- 13. Redemption at the option of the Issuer/Noteholders:** [Redemption at the option of the Issuer][Redemption at the option of the Noteholders] [(other details specified below)]
- 14. (a) Status of Notes:** Senior
- (b) Date of authorisation for the issuance of the Notes:** Decision of the Executive Board of the Issuer dated [●]
- 15. Method of distribution:** [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16. Fixed Rate Note provisions:** [Applicable/Not Applicable] (If this paragraph is not applicable, delete the remaining sub-paragraphs)
- (a) Interest Rate:** [●] % per annum [payable [annually/semi-annually/quarterly/monthly] at maturity/other] [in arrear]
- (b) Interest Payment Date(s):** [●] in each year [adjusted in accordance with [specify Business Day Convention and any relevant Business Centre(s) for the "Business Day" definition]/not adjusted]
- (c) Fixed Coupon Amount(s):** [●] per Specified Denomination of [●]
- (d) Broken Amount(s):** [[●] (Include information relating to the initial or final Broken Amount which are different to the Fixed Coupon Amount(s) and Interest Payment Date(s) to which they relate) / Not Applicable]
- (e) Day Count Fraction (Condition 5.1):** [Actual/365  
Actual/365-FBF  
Actual/Actual-[ICMA/ISDA/FBF]  
Actual/365 (Fixed)  
Actual/360  
30/360  
360/360  
Bond Basis  
30/360 FBF  
Actual 30A/360 (American Bond)]

Basis)  
30E/360  
Euro Bond Basis  
30E/360 – FBF]

- (f) Coupon Determination Date(s) (Condition 5.1):  in each year (*specify the Payment Dates, excluding the Issue Date and the Maturity Date in the case of a first or last long or short Coupon.*

*N.B.: only applicable where the Day Count Fraction is Actual/Actual-ICMA Basis).*

**17. Provisions relating to Floating Rate Notes:**

[Applicable/Not Applicable]

*(If this paragraph is not applicable, delete the remaining sub-paragraphs).*

- (a) Interest Period(s)/ Interest Accrual Period Date:
- (b) Interest Payment Date(s):  each year /  and  / ,,, and  until the Maturity Date (inclusive)
- (c) First Interest Payment Date:
- (d) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][non adjusted] (*Insert "non adjusted" if it is not anticipated that the Coupon Amount will be affected by the application of the applicable business day convention*)
- (e) Business Centre(s) (Condition 5.1):
- (f) Manner in which the Interest Rate is/[are] to be determined: [Screen Rate Determination/FBF Determination/ISDA Determination]
- (g) Party responsible for calculating the Interest Rate(s) and Coupon Amount(s) (if other than the Calculation Agent): (*specify*)/Not Applicable]
- (h) Screen Rate Determination (Condition 5.3 (c) (iii)):  
Relevant Rate:   
Screen Page:



Relevant Time:	[●]
Coupon Determination Date(s):	[[● [TARGET] Business Days in (specify the city) for (specify the currency) before [the first day of each Interest Period/each Interest Payment Date]]
Primary source for the Floating Rate:	[●] (Specify the relevant Screen Page or "Reference Banks")
Reference Banks (if the primary source is "Reference Banks"):	(Specify four entities)
Relevant Financial Centre:	[●] (Specify the financial centre most closely connected with the Benchmark – if other than Paris)
Benchmark:	[LIBOR, EONIA, CMS Rate or EURIBOR]
Representative Amount:	(Specify if quotations published on a Screen Page or offered by Reference Banks must be given for a transaction of a specific amount)
Effective Date:	(Specify if quotations are not to be obtained with effect from commencement of Interest Period)
Specified Duration:	(Specify period for quotation if other than duration of Interest Period)
Rate Multiplier:	[●]
(g) FBF Determination (Condition 5.3(c) (i))	[Applicable/Not Applicable]
Floating Rate:	[●]
Determination Date for Floating Rate:	[●]
(h) ISDA Determination (Condition 5.3 (c)(ii))	[Applicable/Not Applicable]
Floating Rate Option:	[●]
Designated Maturity:	[●]
Reset Date:	[●]
(i) Margin(s):	[+/-] [●] % per annum
(j) Minimum Interest Rate:	[Not Applicable/[●] % per annum]

- (k) Maximum Interest Rate: [Not Applicable/[●] % per annum]
- (l) Day Count Fraction (Condition 5.1): [Actual/365  
Actual/365–FBF  
Actual/Actual-[ICMA/ISDA/FBF]  
Actual/365 (Fixed)  
Actual/360  
30/360  
360/360  
Bond Basis  
30/360-FBF  
Actual30A/360 (American Bond Basis)  
30E/360  
Euro Bond Basis  
30E/360-FBF]

**18. Provisions relating to Zero Coupon Notes:**

[Applicable/Not Applicable] *(If this paragraph is not applicable, delete the remaining sub-paragraphs)*

- (a) Amortisation Yield: [●]% per annum
- (b) Day Count Fraction: [Actual/365  
Actual/365–FBF  
Actual/Actual-[ICMA/ISDA/FBF]  
Actual/365 (Fixed)  
Actual/360  
30/360  
360/360  
Bond Basis  
30/360-FBF  
Actual 30A/360 (American Bond Basis)  
30E/360  
Euro Bond Basis  
30E-360-FBF]

**PROVISIONS RELATING TO REDEMPTION**

**19. Issuer call:**

[Applicable/Not Applicable] *(If this paragraph is not applicable, delete the remaining sub-paragraphs)*

- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s) for each Note: [●] per Note of Specified Denomination [●]
- (c) If redeemable in part: [[●] per Note of Specified Denomination [●] / Not Applicable]
- (I) Minimum Redemption Amount: [[●] per Note of Specified Denomination [●] / Not Applicable]
- (II) Maximum Redemption Amount: [[●] per Note of Specified Denomination [●] / Not Applicable]

- (d) Notice period: [●]
- 20. Investor put:** [Applicable/Not Applicable] *(If this paragraph is not applicable, delete the remaining sub-paragraphs)*
- (a) Optional Redemption Date(s): [●]
- (e) Optional Redemption Amount(s) for each Note: [●] per Note [of Specified Denomination [●]]
- (f) Notice period: [●]
- 21. Final Redemption Amount for each Note:** [●] per Note of Specified Denomination of [●]
- 22. Instalment Amount:** [Applicable/Not Applicable] *(If this paragraph is not applicable, delete the remaining sub-paragraphs)*
- (a) Instalment Date(s): [●]
- (b) Instalment Amount(s) of each Note: [●]
- 23. Early Redemption Amount:**
- (a) Early Redemption Amount(s) for each Note paid on redemption for tax reasons (Condition 6.6), for illegality (Condition 6.9) or on Event of Default (Condition 9): [Pursuant to the Terms]/[●] per Note of Specified Denomination [●]
- (b) Redemption for tax reasons on dates other than Interest Payment Dates (Condition 6.6): [Yes/No]
- (c) Unmatured Coupons to be cancelled on Early Redemption (Materialised Notes only (Condition 7.2(b))): [Yes/No/Not Applicable]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24. Form of the Notes:** [Dematerialised Notes/Materialised Notes] *(Materialised Notes are issued in bearer form only) (Delete as appropriate)*
- (a) Form of Dematerialised Notes: [Applicable/Not Applicable] *(If applicable specify whether in bearer form/ registered form)*

- (b) Registration Agent: [Not Applicable/if applicable name and information] (N.B. a Registration Agent may be appointed in respect of Dematerialised Notes in pure registered form (au nominatif pur only).
- (c) Temporary Global Certificate: [Not Applicable/Temporary Global Certificate exchangeable for Physical Notes on [●] (the **Exchange Date**), 40 days after the issue date, unless postponed, as specified in the Temporary Global Certificate.]
25. **Financial Centre(s) (Condition 7.7):** [Not Applicable/Specify]. (N.B. this refers to the date and place for payment and not the Coupon Payment Date(s) referred to in paragraphs 16(b) and 17(b))
26. **Talons for future Coupons or Receipts to be attached to Physical Notes (and dates on which such Talons mature):** [Yes/No/Not Applicable]. (If yes, specify) (Only applicable to Materialised Notes.)
27. **Provisions relating to redenomination, renominatisation and reconventioning:** [Applicable/Not Applicable]
28. **Provisions relating to consolidation:** [Not Applicable/The provisions [of Condition 1.5] apply]
29. **Masse (Condition 11):** [[Full Masse]/[Contractual Masse] shall apply] (Note that: (i) in respect of any Tranche of Notes issued outside France, Condition 11 (b) (Contractual Masse) may be specified by the Issuer, and (ii) in respect of any Tranche of Notes issued inside France, Condition 11(a) (Full Masse) shall apply.
- (Specify details relating to the initial and alternate Representatives and their remuneration as set out below)
- Name and contact details of the initial Representative are: [●]
- Name and contact details of the alternate Representative are: [●]
- The Representative of the Masse [shall receive a remuneration of € [●] per year with respect to its functions/shall not receive compensation with respect to its functions]

- |  |   |
|--|---|
| 30. [Exclusion of option to request information enabling Noteholders to be identified as provided in Condition 1.1(a):       | [Applicable] ( <i>if option to request information enabling Noteholders to be identified as provided in Condition 1.1(a) is contemplated, delete this paragraph</i> )   |
| 31. Notes capable of being retained in accordance with Article L. 213-1-A of the French <i>Code monétaire et financier</i> : | [Applicable/Not Applicable]   |
| 32. Conversion into euros  | [Not applicable/ The aggregate nominal amount of the Notes issued has been converted into euros at a rate of [●], i.e a sum of [●].]<br><br><i>(Only applicable to Notes which are not denominated in euros.)</i> |

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]<sup>49</sup>

Signed on behalf of the Issuer:

By: .....

Duly authorised

<sup>49</sup> To be included if information comes from third parties

## PART B

### OTHER INFORMATION

#### 1. ADMISSION TO TRADING

- (a) Admission to trading: [A request for admission of the Notes to trading on [Euronext Paris/other (*specify*)] as from [●] has been made by the Issuer (or on its behalf).]

[A request for admission of the Notes to trading on [Euronext Paris/other (*specify*)] as from [●] shall be made by the Issuer (or on its behalf).]

[Not Applicable]

- (b) Regulated Markets or similar markets on which, to the Issuer's best knowledge, Notes of the same category as the Notes are already admitted to trading: [[●]/Not Applicable]
- (Where documenting a fungible issue specify that original securities are already admitted to trading.)*

- (c) Total estimated costs relating to admission to trading: [[●]/Not Applicable]

#### 2. RATINGS AND CONVERSION INTO EUROS

Ratings: The Programme has been assigned a [Aa2] rating by [Moody's].

Moody's is established in the European Union and is registered in accordance with Regulation (EC) No. 1060/2009 relating to credit rating agencies as amended (the **CRA Regulation**). Moody's is included on the list of rating agencies published by the European Financial Markets Authority on its website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with the CRA Regulation.

The Notes to be issued [shall be/will be] assigned the following rating:

[●: [●]]

[[Other]: [●]]

*(The rating assigned to the Notes issued under the Programme must be specified above or, if an issue of Notes has been assigned a specific rating, such specific rating should be specified above.)*

### 3. [NOTIFICATION]

[The *Autorité des marchés financiers* has been requested to provide/The *Autorité des marchés financiers* has provided (use the first alternative for Notes issued contemporaneously with the updating of the Programme and the second alternative for subsequent issues)] to (insert the name of the relevant authority in the host member State) [a] certificate[s] of approval certifying that the prospectus and the supplement[s] [has]/[have] been prepared in accordance with the Prospectus Directive.]]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

*The purpose of this section is to describe any interest, including any conflict of interest that may have a material impact on the issue of Notes, identifying each person concerned and the nature of such interest. This may be satisfied by inserting the following statement:*

["Except the commissions related to the issue of Notes paid to Dealers, so far as the Issuer is aware, no other person involved in the issue of Notes has any interest material to the issue. Dealers and their affiliates have been engaged and may be engaged in investment banking and/or commercial banking transactions with the Issuer or the Guarantors, and may perform other services for it in the ordinary course of business."]

### 5. REASONS FOR THE OFFER, USE OF PROCEEDS<sup>50</sup>

(a) Reasons for the Offer: [●]

*(See Section ["Use of Proceeds"] of the Base Prospectus – As the case may be, specify here the reasons for the offer.)*

(b) Estimated net proceeds: [●]

*(If the proceeds are to be applied towards several uses, provide a breakdown and order of priority. If the proceeds are insufficient to finance all planned uses, specify the amount and sources of other financing. Specify whether the proceeds are intended to finance environmental and social projects)*

(c) Estimated total expenses: [●]

*(A breakdown of the expenses for each planned main "use" must be provided and presented in order of priority.)*

### 6. [FIXED RATE NOTES ONLY - YIELD]

Yield: [●] per annum.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

*(Paragraph below only applies to offers of Notes to the*

<sup>50</sup> Information not required in case of Notes of more than €100,000

*public in France)*

[Yield spread of [●] % compared to treasury bonds (*obligations assimilables du Trésor (OAT)*) of equivalent maturity.]

## 7. [FLOATING RATE NOTES ONLY – HISTORICAL INTEREST RATES

*Details of historical interest rates [EURIBOR, EONIA, CMS Rate, LIBOR] achieved [Reuters].*

## 8. DISTRIBUTION

If syndicated, names [and addresses]<sup>51</sup> of the Managers: [Not applicable/*give names*]

(a) Stabilising Manager(s) (if any):

[Not applicable/*give names*]

(b) Underwriting commitments of the Manager(s): [●]<sup>52</sup>

(c) Date of the Subscription Agreement: [●]<sup>53</sup>

If non-syndicated, names [and addresses]<sup>54</sup> of the Dealer: [Not applicable/*give names*]

U.S. Selling restrictions:

[Regulation S Compliance Category 1; TEFRA C / TEFRA D / Not applicable] (*TEFRA are not applicable to Dematerialised Notes*)

Non-exempt Offer:

[Not applicable] / [An offer of Notes may be made by Dealers] [and (*specify names of the other financial intermediaries/dealers which realise non-exempt offers, if it is known OR consider a generic description of the other parties involved in the non-exempt offers in France during the Offer Period, if it is not known*)] (together with the Dealers, the **Financial Intermediaries**) if applicable] other than pursuant to article 3(2) of the Prospectus Directive in France during the period from [●] [specify the date] to [●] (*specify the date or wording such as "Issue Date" or "the Date which occurs [●] business days following this*

<sup>51</sup> The address must be specified in the case of an issue of notes under €100,000 when the relevant Dealer is not a Permanent Dealer.

<sup>52</sup> Information not required in the case of an issue of notes of more than €100,000.

<sup>53</sup> Information not required in the case of an issue of notes of more than €100,000.

<sup>54</sup> The address must be specified in the case of an issue of notes under €100,000 when the relevant Dealer is not a Permanent Dealer.



date") (the **Offer Period**). For more details, see paragraph 10 of Part B.

*(N.B. Consider all local regulatory requirements which shall be respected in order to implement a non-exempt offer in France. Such offer shall not be implemented in France until those requirements are respected.)*

## 9. OPERATIONAL INFORMATION

- (a) ISIN Code:
- (b) Common Code:
- (c) Depository(ies): /Not Applicable]
- (I) Euroclear France acting as Central Depository: [Yes/No]
- (II) Common Depository for Euroclear and Clearstream, Luxembourg: [Yes/No]
- (d) Any clearing system other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (e) Delivery: Delivery [against/free of payment]
- (f) Names and addresses of initial Paying Agents appointed for the Notes:
- (g) Names and addresses of additional Paying Agents appointed for the Notes:

## 10. [OFFERS TO THE PUBLIC

- (a) Conditions to which the offer is subject: [Not Applicable/(give details)]
- (b) Total amount of the offer. If the amount has not been fixed, describe the conditions and timetable for public announcement of the final amount: /Not Applicable/(specify)]
- (c) Specify the time period, mentioning any possible modification, during which the offer will be open and describe the application process: [Not Applicable/(give details)]
- (d) Information on the minimum and/or maximum subscription amount: [Not Applicable/(give details)]
- (e) Description of option to reduce the amount of the offer and the procedure for [Not Applicable/(give details)]

reimbursing overpayments by subscribers:

- (f) Information on method and timetable for payment for and delivery of the Notes: [Not Applicable/(give details)]
- (g) Procedure and date for publication of the results of the offer: [Not Applicable/(give details)]
- (h) Procedure for exercise of any pre-emption rights, negotiability of subscription rights and treatment of unexercised subscription rights: [Not Applicable/(give details)]
- (i) If the offer is made in the same time on markets located in different countries, and if a tranche has been reserved or is reserved to some investors, specify what the tranche is: [Not Applicable/(give details)]
- (j) Procedure for notification to subscribers of their allotments and indication of whether the distribution can begin prior to notification: [Not Applicable/(give details)]
- (k) Amount of fees and taxes specifically charged to the subscriber or the purchaser: [Not Applicable/(give details)]

## 11. PLACEMENT AND UNDERWRITING<sup>55</sup>

Issuer consent in order to use the Base Prospectus during the Offer Period: [Not applicable/ Applicable to any Authorised Institutions indicated below]

Authorised Institution(s) in the different countries where the offer takes place: Not applicable/Name(s) and address(es) of financial intermediaries authorised by the Issuer in order to act as Authorised Institution(s) / Any financial intermediary which satisfies the conditions set out below in section "Conditions relating to the Issuer's consent to the use the Base Prospectus"]

Conditions relating to the Issuer's consent to the use the Base Prospectus: [Not applicable/ When the Issuer has given a general consent to any financial intermediary in order to use the Base Prospectus, specify any additional conditions or any condition which replaces those set out on page [●] of the Base Prospectus.]

Name and address of paying agents and depositaries in each country (in addition to the Paying Agent): [●]

Entities that have agreed to underwrite the offer and entities that have agreed to place the Notes without any underwriting commitment or pursuant to a "best efforts" agreement (if the whole amount of the issue is not underwritten, specify the portion [●]

<sup>55</sup> Information required in case of issue of notes of less than €100,000 and for derivatives to which Annex XII of European Regulation no. 809/2004 applies.

underwritten):

Date on which the underwriting agreement was or  
will be entered into: [●]

## ANNEX 1 - SUMMARY OF THE ISSUE<sup>56</sup>

This summary relates to *[insert a description of the issued Notes]* (the **Notes**) described in the final terms (the **Final Terms**) to which this summary is annexed. This summary contains key information contained in the summary of the Base Prospectus relating to the Notes and the relevant information of the Final Terms. Terms and expressions defined in the Base Prospectus and the Final Terms shall have the same meaning when they are used in the summary.

The summary is made up of disclosure information which communication is required by Annex XXII of Regulation 809/2004/EC of the Commission dated 29 April 2004, as amended, known as **Elements**. These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and Issuer and Guarantors. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention 'not applicable'.

### Section A - Introduction and warnings

Elements	
<p><b>A1</b></p> <p><b>General disclaimer regarding the summary</b></p>	<p>This summary should be read as an introduction to the Base Prospectus and the Final Terms. Any decision to invest in the Notes issued should be based on a consideration by any investor of the Prospectus as a whole.</p> <p>Where a claim relating to information contained in the Base Prospectus and/or the Final Terms is brought before a court or a member State of the European Economic Area (<b>EEA</b>), the plaintiff may, under the national legislation of the member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>No claim on civil liability can be brought in a member State against anybody on the sole basis of this summary, including its translation, except if its content is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and Final Terms or if it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</p>
<p><b>A2</b></p> <p><b>Information regarding consent by the Issuer to the use of the Prospectus</b></p>	<p>In the context of any offer of Notes in France which does not benefit from an exemption from the requirement to publish a prospectus under the Prospectus Directive, as amended (a <b>Public Offer</b>), the Issuer consents to the use of the Base Prospectus (as amended, if appropriate by a supplement) and Final Terms (together, the <b>Prospectus</b>) in connection with such Public Offer of Notes during the offer period (the <b>Offer Period</b>) and in France or in Luxembourg, as specified in the relevant Final Terms, by any duly authorised financial intermediary mentioned in the relevant Final Terms (each an <b>Authorised Institution</b>).</p>

<sup>56</sup> Information not required in the case of an issue of notes of more than €100,000.

**The Terms of the Public Offer shall be provided to Investors by the Authorised Institution at the time the Public Offer is made.**

### Section B – Issuer

Element	
<p><b>B.1</b></p> <p><b>The Legal and commercial name of the Issuer</b></p>	<p>Agence France Locale (the <b>Issuer</b>)</p>
<p><b>B.2</b></p> <p><b>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation</b></p>	<p><b>Issuer:</b></p> <p>The Issuer is a <i>Société Anonyme</i> with an Executive Board and a Supervisory Board, incorporated in France under French Law, and governed by the provisions of the French <i>Code de Commerce</i>.</p> <p>The Issuer has been created under the provisions of Article 35 of the law n° 2013-672 of 26 July 2013 <i>de séparation et de régulation des activités bancaires</i> (the <b>Law of 26 July 2013</b>).</p> <p>The Issuer registered office is located Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon.</p>
<p><b>B.4b</b></p> <p><b>A description of any known trends affecting the Issuer and the activities in which it operates</b></p>	<p><b>Issuer:</b></p> <p>The Issuer has identified certain developments likely to have an impact on its business:</p> <ul style="list-style-type: none"> <li>- the contraction of the local authorities' loan market in 2013 and a decrease in the State allocations to local authorities, which began in 2014, could lead to a decrease in local authorities' borrowing needs.</li> <li>- as part of the € 50 billion cuts plan currently being considered by the French state, it is expected that local authorities will contribute over 2015 to 2017 11 billion euros of savings to the financial effort, including through the lowering of allocations received from the French State, which will reduce their self-financing capacity (<i>capacité d'autofinancement</i>) and could be an incentive to reduce their borrowing, or to increase it.</li> </ul> <p><i>[To be updated on the Issue Date, if necessary]</i></p>
<p><b>B.5</b></p> <p><b>Description of the Issuer's Group and the Issuer's position within the Group</b></p>	<p><b>Issuer:</b></p> <p>The structure of the Agence France Locale group is as follows:</p> <p>99.99% of Agence France Locale's share capital and voting rights are held by ST, the balance (which represent 10 shares) is divided between the 10 founding Members of ST, in order to comply with the requirements of Article L. 225-1 of the French <i>Code de commerce</i>, which stipulates that the number of shareholders of a <i>Société Anonyme</i> cannot be less than 10. Each founding member has a 100 %</p>

	<p>seat on the Board of Directors of ST for three year beginning on the date of establishment (3 December 2013).</p> <p>The shareholders of ST are exclusively local authorities, which have obtained the necessary internal authorisations and whose financial situation allows them to be Members of the Agence France Locale Group.</p> <p>To the extent that, in accordance with the provisions of Article L. 1611-3-2 of the French <i>Code des Collectivités Territoriales</i> (the <b>CGCT</b>), the right to be granted credits by the Issuer is subject to the quality of Membership, the number of shareholders of ST is intended to increase with the development of the Agence France Locale Group.</p> <p>The operational rules of the Agence France Locale group were designed in order to ensure continuity of its share ownership. The Members are, under the terms of the Shareholders' Agreement, in particular obliged to retain their shareholdings until the tenth anniversary of the payment of their ICC and transfers of shares are subject to approval from the Board of Directors of ST.</p> <p>This increase in the number of shareholders will result in a corresponding reduction in the respective weight of each Member in the share capital of ST and the control of ST by any one of its shareholders.</p> <p>At the date of this Base Prospectus, the share capital of ST is held by 91 local authorities, none of whom hold more than 10% of the share capital, with the exception of one Member. This is the <i>Métropole du Grand Lyon</i>, whose interest should eventually go under the threshold of 10% through future accessions of new Members to the Agence France Locale group.</p>																					
<p><b>B.9</b></p> <p><b>Profit forecast or estimate</b></p>	<p><b>Issuer:</b></p> <p>Based on the assumptions on which it built its business plan, the Issuer has established the following projections for the next two years.</p> <p>The forecasts set out below were established according to IFRS standards.</p> <p>– Consolidated balance sheet: 2015-2016 Objectives (in millions of euros)</p> <table border="1" data-bbox="560 1377 1340 1870"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Customer loans and receivables</td> <td>808</td> <td>1.940</td> </tr> <tr> <td>Others <sup>57</sup></td> <td>448</td> <td>572</td> </tr> <tr> <td><b>Total assets</b></td> <td><b>1.256</b></td> <td><b>2.480</b></td> </tr> <tr> <td>Debts – represented by a security</td> <td>1.179</td> <td>2.326</td> </tr> <tr> <td>Others</td> <td>4</td> <td>3</td> </tr> <tr> <td><b>Total Liabilities</b></td> <td><b>1.183</b></td> <td><b>2.329</b></td> </tr> </tbody> </table>		2015	2016	Customer loans and receivables	808	1.940	Others <sup>57</sup>	448	572	<b>Total assets</b>	<b>1.256</b>	<b>2.480</b>	Debts – represented by a security	1.179	2.326	Others	4	3	<b>Total Liabilities</b>	<b>1.183</b>	<b>2.329</b>
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<sup>57</sup> This line corresponds to a portion of the proceeds from the debt issued by the issuer that will fund its liquidity reserve to meet prudential requirements.

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<b>B.10</b> <b>Qualifications in the auditors' report</b>	<p><b>Issuer:</b></p> <p>The Auditors' report on the Issuer's accounts for the year ended 31 December 2014 contains no qualifications.</p>																
<b>B.12</b> <b>Selected historical key financial information</b>	<p><b>Issuer:</b></p> <p>The Issuer was established on 17 December 2013. It cannot therefore provide historical financial information for the previous two years.</p> <p>The information set out below is based on the Issuer's restated IFRS financial statements. However, only the Issuer's financial statements prepared in accordance with French standards have legal value. These are set out in the annex to this Base Prospectus, together with the related auditors' report.</p> <p>– Consolidated balance sheet on 31 December 2014 (in thousands of Euros)</p> <table border="1"> <tr> <td></td> <td><b>31/12/2014</b></td> </tr> <tr> <td>Customer loans and receivables<sup>58</sup></td> <td>0</td> </tr> <tr> <td>Others<sup>59</sup></td> <td>46,275</td> </tr> <tr> <td><b>Total assets</b></td> <td><b>46,275</b></td> </tr> <tr> <td>Debts represented by a security<sup>59</sup></td> <td>0</td> </tr> <tr> <td>Others</td> <td>16,960</td> </tr> <tr> <td><b>Total Liabilities</b></td> <td><b>16,960</b></td> </tr> <tr> <td><b>Equity</b></td> <td><b>29,316</b></td> </tr> </table>		<b>31/12/2014</b>	Customer loans and receivables <sup>58</sup>	0	Others <sup>59</sup>	46,275	<b>Total assets</b>	<b>46,275</b>	Debts represented by a security <sup>59</sup>	0	Others	16,960	<b>Total Liabilities</b>	<b>16,960</b>	<b>Equity</b>	<b>29,316</b>
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<sup>59</sup> Financial assets.

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<p><b>B.14</b></p> <p><b>Extent to which the Issuer is dependent upon other entities within the Group</b></p>	<p><b>Issuer:</b></p> <p>The Issuer is dependent on ST. Indeed, ST holds almost all of its share capital and has, therefore, the power to approve all decisions to be taken by the shareholders of the Issuer in shareholder meetings that do not require unanimity, which enables it to benefit from a power of appointment - more or less directly, depending on the committee at stake - in the governance committees of the Agence France Locale Group.</p> <p>The Issuer is also dependent on the intellectual property of ST, which owns the words and figurative trademarks of Agence France Locale, registered with the French National Institute of Intellectual Property.</p>										
<p><b>B.15</b></p> <p><b>Principal activities of the Issuer</b></p>	<p><b>Issuer:</b></p> <p>Pursuant to Article <i>L. 1611-3-2</i> of the French CGCT, the main activity of the Issuer consists of lending to local authority Members of the Agence France Locale Group, to enable them to finance a portion of their investment budgets.</p> <p>The Issuer also plans to receive repayable funds from the public via the issuance of debt securities to the public in accordance with Article <i>R. 312-18</i> of the French <i>Code Monétaire et Financier</i> relating to the issuance of debt securities equivalent to the raising of repayable funds from the public.</p>										
<p><b>B.16</b></p> <p><b>Extent to which the Issuer is directly or indirectly owned or controlled</b></p>	<p><b>Issuer:</b></p> <p>Please refer to item B.5 above.</p>										
<b>B.17</b>	[The Securities have not been rated.]										



<p><b>Credit ratings assigned to the Issuer or its debt securities</b></p>	<p>[The Securities have been rated [●] by [●].</p> <p>The Issuer has been assigned a long-term rating of Aa2, negative outlook by Moody's France SAS.</p> <p>The Programme has been assigned a rating of Aa2 by Moody's on 6 March 2015.</p> <p>At the date of this Base Prospectus, Moody's is a credit rating agency established in the European Union and registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and the Council dated 16 September 2009 as amended (the CRA Regulation) and is included on the list of rating agencies published on the European Financial Markets Authority website (<a href="http://www.esma.europa.eu/page/List-registered-and-certified-CRAs">www.esma.europa.eu/page/List-registered-and-certified-CRAs</a>) in accordance with the CRA Regulation.</p> <p>A rating is not a recommendation to buy, sell or hold Notes and may be suspended, amended or withdrawn at any time by the relevant rating agency.]</p>
<p><b>B. 18</b></p> <p><b>Nature and purpose of the Guarantees</b></p>	<ul style="list-style-type: none"> <li>• <b>ST Guarantee</b></li> </ul> <p>ST provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> <li>– the ST Guarantee is a first demand guarantee in accordance with Article 2321 of the French Civil Code;</li> <li>– it benefits the Noteholders of any securities issued, or contractors to all contracts entered into by the Issuer stating that such securities or contracts benefit from the ST Guarantee (the <b>Beneficiaries</b>), which are intended to be the same as the beneficiaries of the Member Guarantees;</li> <li>– the actual ceiling of the ST Guarantee is determined on a discretionary basis by the Issuer as € 3.500.000.000 (three billion five hundred million euros) and is indicated in the final terms of each issue of Notes. This limit is set at [●] under the current Final Terms; and</li> <li>– the use of the guarantee by the Beneficiaries is subject only to form and timing requirements specified in such guarantee.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Member Guarantees</b></li> </ul> <p>Each Member who has subscribed for a loan with the Issuer provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> <li>– each Member Guarantee is a first demand guarantee in accordance with Article 2321 of the French Civil Code;</li> <li>– each Member Guarantee issued to holders of securities, or contracting parties to all contracts entered into by the Issuer stating that such securities or contracts benefit from Member Guarantees, are intended to benefit the same beneficiaries as the Beneficiaries under the ST Guarantee;</li> <li>– the guarantee commitment is capped, at any time, at the total</li> </ul>

	<p>outstanding credit of that Member <i>vis-à-vis</i> the Issuer and, in the absence of subscription for new loans, is designed to change according to the amortisation schedule of the loans subscribed;</p> <ul style="list-style-type: none"> <li>– the implementation, by the beneficiaries, of such guarantees is subject only to form and timing requirements specified in such guarantees;</li> <li>– to keep beneficiaries fully informed, the outstanding credit of the Members <i>vis-à-vis</i> the Issuer is published on each business day on the website of the Issuer (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>).</li> </ul>
<b>B. 19</b>	
<b>Information on Guarantors</b>	
<b>B. 19/B.1</b>	<b>ST:</b>
<b>The Legal and commercial name of the Guarantor</b>	Agence France Locale – Société Territoriale (ST)
<b>B.19/B.2</b>	<b>ST:</b>
<b>The domicile and legal form of the Guarantor, the legislation under which the Guarantor operates and its country of incorporation</b>	<p>ST is a <i>Société Anonyme</i> with Board of Directors under French law, on the basis of Article 35 of the Law n° 2013-672 of 26 July 2013.</p> <p>ST has its registered office at 41, quai d’Orsay, 75007 Paris, France.</p>
<b>B.19/B.4b</b>	<b>ST:</b>
<b>A description of any known trends affecting the Guarantor and the activities in which it operates</b>	There are no known trends or events specific to ST that is reasonably likely to have a significant effect on its prospects. However, because of its position in relation to the Issuer, ST is likely to be directly affected by trends and developments affecting the Issuer.
<b>B.19/B.5</b>	<b>ST:</b>
<b>Description of the Guarantor’s Group and the Guarantor’s position within the Group</b>	Please refer to item B.5 above.
<b>B.19/B.9</b>	<b>ST:</b>
<b>Profit forecast or estimate</b>	Not Applicable - No forecast or profit estimate has been made in the Base Prospectus in relation to ST.
<b>B.5/B.10</b>	<b>ST:</b>
<b>Qualifications in the</b>	The Auditors’ report on ST’s accounts for the year ended 31 December 2014

<b>auditors' report</b>	contains no qualifications.																										
<b>B.19/B.12</b>  <b>Selected historical key financial information</b>	<p><b>ST:</b></p> <p>As ST was established on 3 December 2013, it cannot provide historical financial information covering two financial years.</p> <p>Consolidated balance sheet as at 31 December 2014 (in thousands of Euros):</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><b>31 December 2014</b></th> </tr> </thead> <tbody> <tr> <td>Customer loans and receivables<sup>60</sup></td> <td style="text-align: right;">0</td> </tr> <tr> <td>Others<sup>61</sup></td> <td style="text-align: right;">47 715</td> </tr> <tr> <td><b>Total assets</b></td> <td style="text-align: right;"><b>47 715</b></td> </tr> <tr> <td>Debts represented by a security<sup>61</sup></td> <td style="text-align: right;">0</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">17 031</td> </tr> <tr> <td><i>Of which contribution commitments</i></td> <td style="text-align: right;">0</td> </tr> <tr> <td><b>Total Liabilities</b></td> <td style="text-align: right;"><b>17 031</b></td> </tr> <tr> <td><b>Equity</b></td> <td style="text-align: right;"><b>30 684</b></td> </tr> <tr> <td><b>Total Liabilities and Equity</b></td> <td style="text-align: right;"><b>47 715</b></td> </tr> </tbody> </table> <p style="text-align: center;">– Components of profit elements on 31 December 2014 (in thousands of Euros)</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><b>17/12/13 – 31/12/14</b></th> </tr> </thead> <tbody> <tr> <td><b>Net banking income</b></td> <td style="text-align: right;">325</td> </tr> <tr> <td><b>Gross operating profit (loss)</b></td> <td style="text-align: right;">-9 904</td> </tr> </tbody> </table>		<b>31 December 2014</b>	Customer loans and receivables <sup>60</sup>	0	Others <sup>61</sup>	47 715	<b>Total assets</b>	<b>47 715</b>	Debts represented by a security <sup>61</sup>	0	Others	17 031	<i>Of which contribution commitments</i>	0	<b>Total Liabilities</b>	<b>17 031</b>	<b>Equity</b>	<b>30 684</b>	<b>Total Liabilities and Equity</b>	<b>47 715</b>		<b>17/12/13 – 31/12/14</b>	<b>Net banking income</b>	325	<b>Gross operating profit (loss)</b>	-9 904
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<b>B.19/B.13</b>  <b>Recent events relating to the Guarantor of significant interest for the assessment of creditworthiness</b>	<p><b>ST:</b></p> <p>There has been no material change in the financial or commercial situation of ST since 31 December 2014, and there has been no material adverse change in the prospects of ST since 31 December 2014.</p>																										
<b>B.19/B.14</b>  <b>Extent to which the Guarantor is dependent upon other entities within the Group</b>	<p><b>ST:</b></p> <p>Please refer to item B.14 above.</p>																										

<sup>60</sup> In the year ended 31 December 2014 this aggregated data was not present in the Issuer's IFRS accounts as certified by the auditors as it was equal to 0 during the first reporting period, due to the fact the Issuer's lending activity had not begun. It will be included in the next accounts of the Issuer.

<sup>61</sup> Financial assets.

<p><b>B.19/B.15</b></p> <p><b>Principal activities of the Guarantor</b></p>	<p><b>ST:</b></p> <p>ST has a financial holding company activity, principally consisting of:</p> <ul style="list-style-type: none"> <li>– the holding of its interest in the share capital of the Issuer;</li> <li>– the setting of the accession procedure for local authorities to join the Agence France Locale group whose administration is assigned to the Issuer;</li> <li>– the possession and use of the words and figurative trademarks of Agence France Locale Group; and</li> <li>– if the ST Guarantee or Member Guarantees are called, the monitoring of the implementation of the Guarantee mechanism.</li> </ul>
<p><b>B.19/B.16</b></p> <p><b>Extent to which the Guarantor is directly or indirectly owned or controlled</b></p>	<p><b>ST:</b></p> <p>Please refer to item B.5 above.</p>
<p><b>B.19/B.17</b></p> <p><b>Credit ratings assigned to the Issuer or its debt securities</b></p>	<p><b>ST:</b></p> <p>ST has not been assigned a rating.</p>
<p><b>B.19/B.47</b></p> <p><b>Description of Members subscribing a loan from the Issuer</b></p>	<p><b>Member Guarantors:</b></p> <p>Each Member who has subscribed for loan with the Issuer must provide a Member Guarantee.</p> <p>At the date of this Base Prospectus, no Member has subscribed for a loan with the Issuer, which has not yet started its operational activity.</p> <p>Considering the large and varying number of Member Guarantors, the Issuer refers to the summary sheets for each Member, which are available on its website (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>).</p> <p>As each Member belongs to a form of local authority that has its own characteristics, a summary of the forms of local authority follows below.</p> <p>Members follow the forms of local authority set out in Article 72 of the French Constitution (<i>communes, départements, régions, collectivités à statut particulier and collectivités d'outre-mer</i>), or EPCI (<i>Établissement public de coopération intercommunale</i>) (<i>métropoles, communautés urbaines, communautés d'agglomération, communautés de communes, syndicat d'agglomération nouvelle</i> or <i>EPCI à statut particulier</i>) and are governed by French law.</p> <p>Members have legal personality, legal financial autonomy and authority to freely manage themselves as provided by law.</p> <ul style="list-style-type: none"> <li>– The <i>Communes</i></li> </ul>

They have a general purpose in their territory.

As a representative of the French State in the town, the mayor perform registrar duties, electoral functions (organisation of elections, upkeep of electoral lists, etc.), and the protection of public order through the mayoral police powers.

As head of the executive of the region, the mayor also exercises powers in the areas of urban planning, education, economic activity, marinas and airports, housing, health, social action, culture and sports.

On 1 January 2014, France had 36,681 *communes*.

– The *départements*

The *départements* have been the main recipients of the transfers of competences carried out since 1982. The responsibilities and competences of the *départements* arising from decentralisation laws, mainly concerning social action (law No. 83-663 of 22 July 1983) - other than those which remain the responsibility of the state and which are specifically listed by law - rural infrastructure, roads, colleges, transport, environment, tourism, culture, natural heritage, aid to *communes* and regional planning.

On 1 January 2014, France had 96 *départements métropolitains* and 5 *départements d'outre-mer*.

In the context of the territorial reform announced by the government in June 2014, the level of the *département* is expected to be redefined in 2020 in favour of strengthening *intercommunales* entities, including *métropoles*. At the date of this Base Prospectus, four Members would be affected by this change, namely the *départements* of l'Aisne, l'Ariège, l'Essonne and la Savoie.

– The *régions*

Since the passing of the decentralisation laws, *régions'* responsibilities are mainly concentrated in the areas of transport (*Transport express régional*) related expenses, vocational training and economic action. The *régions* also exercise powers relating to regional development, education, vocational training, culture and the health sector.

On 1 January 2014, France had 27 *régions* (including five overseas). They will be scaled back to 13 on 1 January 2016.

In the context of the territorial reform announced by the government in June 2014, the *régions* should benefit from the strengthening of their powers, particularly in terms of economic development, transport and education. At the date of this Base Prospectus, only one Member would be affected by this development, namely the *région Pays de la Loire*.

– The *collectivités à statut particulier*

According to the first paragraph of Article 72 of the French Constitution: "The local authorities of the Republic are the *communes*,

*départements, territoires d'outre-mer*. Any other local authority shall be established by law." At the date of this Base Prospectus, only two *collectivités à statut particulier* within the meaning of that article have been created by the legislature.

Firstly, the local authority of Corsica (which is not a Member at the date of this Base Prospectus), which has extensive management autonomy and has the competences normally assigned to a *region* and some extended powers in some areas, including the protection of cultural heritage.

Then, Law No. 2014-58 of 27 January 2014 *de modernisation de l'action publique territoriale et d'affirmation des métropoles* created, with delayed effect from 1 January 2015, the *Métropole* of Lyon, which, is a "*collectivité à statut particulier*" within the meaning of Article 72 of the French Constitution. It replaced, on the 1 January 2015, the *communauté urbaine du Grand Lyon* and exercises within its territory, in addition to the metropolitan powers listed in Article L. 5217 -2 of the CGCT, all the competences exercised previously by the department of the *Rhône*.

– The *EPCI*

"*Intercommunalité*" allows the municipalities to combine to jointly manage public facilities or services and/or to arrange projects for economic development, planning and urban planning across a wider territory than the territory of the *commune*. The *communes* transfer their respective competences to the *EPCI*, to which optional competences may be added. This transfer of competences gives the *EPCI* decision-making powers and the executive authority held by municipalities in accordance with the transferred competences.

The *EPCI* Members belong to the category of *établissements publics de coopération intercommunale à fiscalité propre*, which includes, at the date of this Base Prospectus, the *métropoles*, *communautés urbaines*, *communautés d'agglomération*, *communautés de communes*, *syndicat d'agglomération nouvelle*.

The difference between these forms of local authorities is mainly due to the minimum threshold population they should incorporate, as well as the competences they may exercise.

### **Budgetary rules applicable to Members**

The CGCT and accounting nomenclatures applicable to Members establish budgetary and accounting principles. The principles are as follows:

- the principle of annual accounting requires that the budget be prepared for a period of twelve (12) months from 1 January to 31 December. However, the law of 26 August 2005 on the simplification and revision of local authority budget and accounting rules bends this principle significantly by expanding multi-year budgeting mechanisms;
- the principle of budgetary balance: this principle requires local authorities to balance revenue and expenditure across various

	<p>components of the budget (operating and capital components);</p> <ul style="list-style-type: none"> <li>– the principle of unity, which stipulates that all revenue and expenditure must be included in a single budget, the local authority's general budget. However, other "ancillary" budgets may be added to the general budget to provide a clearer record of its various activities;</li> <li>– the principle of universality requires that all expenditure and revenue must be shown in the budget in full without amendment;</li> <li>– the principle of specificity of expenditure, which stipulates that expenditure may only be authorised for a given service and a specific purpose.</li> </ul> <p>Budget control is performed retrospectively by the State representative (the <i>Préfet</i>), together with the Regional Court of Accounts (<i>Chambre Régionale des Comptes (CRC)</i>).</p> <p><b>The resources of Members</b></p> <p>The resources of Members are mainly composed of:</p> <ul style="list-style-type: none"> <li>– tax revenue, the collection and use of which the law has delegated to Members;</li> <li>– the grants paid by the State according to the category to which a Member belongs and the application of criteria notably relating to its population;</li> <li>– ancillary revenues (fees paid by public service concession holders, rent, revenue related to public services, etc.).</li> </ul> <p><b>Accounting control proceedings applicable to Members</b></p> <p>The law of 2 March 1982 abolished all <i>a priori</i> control over local authority acts, which are now fully binding as soon as published or notified to the <i>Préfet</i>, who is the State's representative in the <i>département</i> or <i>région</i>.</p> <p>However, budgetary acts of local authorities are the subject of two retrospective controls:</p> <ul style="list-style-type: none"> <li>– as administrative acts, they are subject to the ordinary control of legality scrutinised by the State representative;</li> <li>– as budgetary acts, they are subject to special procedures for budgetary, judicial and management control performed by the CRC.</li> </ul>
<p><b>B.48</b></p> <p><b>Situation of Public finances and foreign trade / significant change</b></p>	<p><b>Member Guarantors</b></p> <p>Considering the large and changing number of the Member Guarantors, the Issuer refers, for access to the financial information relating to the Guarantors, to the summary sheets for each Member, which contain budgetary and accounting information and are available on its website (<a href="http://www.agence-france-locale.fr">www.agence-france-locale.fr</a>) and will be continuously updated.</p>

	In addition, the Issuer will update the main information necessary regarding the level of each of the Member Guarantees on its website.
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## Section C – Securities

Element	
<p><b>C.1</b></p> <p><b>Nature, category and identification of the Notes</b></p>	<p>Series: [●]</p> <p>Tranche: [●]</p> <p>Aggregate nominal amount: [●]</p> <p>Form of the Notes: [Materialised Notes/ Dematerialised Notes]  <i>[If the Notes are Dematerialised Notes: the Dematerialised Notes are bearer Notes/registered Notes.]</i>   <i>[If the Notes are Materialised Notes: the Materialised Notes are bearer Notes only]</i></p> <p>ISIN Code: [●]</p> <p>Common code: [●]</p> <p>Central Depository: [●]</p> <p>Any clearing system other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the applicable identification numbers: [Not applicable]/[give name(s) and number(s) [and address(es).]]</p>
<p><b>C.2</b></p> <p><b>Currencies</b></p>	<p>The currency of the Notes is [●].</p>
<p><b>C.5</b></p> <p><b>Description of any restriction imposed to the free transferability of the Notes</b></p>	<p>Subject to compliance with all applicable law, regulations, and directives relating to the purchase, offer, sale and delivery of the Notes, and to the holding or distribution of this Base Prospectus, any other offer document or any Final Terms, there is no restriction imposed to the free transferability of the Notes.</p>
<p><b>C.8</b></p> <p><b>Description of the rights attached to the Notes</b></p>	<p><b>Issue Price:</b> [●]% of the Aggregate Nominal Amount [plus accrued interests from [insert date] (in case of fungible issues or first broken coupon, as the case may be).]</p> <p><b>Specified Denomination:</b> [●]</p> <p><b>Status of the Notes</b></p> <p>Notes and, if relevant, their related Receipts or Coupons constitute direct, unconditional, unsubordinated and (subject to the paragraph below) unsecured obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (subject to such exceptions as are mandatory under French law) equally and rateably with all other present or future, unsubordinated and unsecured obligations of the Issuer.</p> <p><b>Negative pledge</b></p> <p>So long as any Notes, or, if relevant, any Receipts and Coupons attached to such Notes, remain outstanding, the Issuer shall not grant or permit to subsist any</p>

mortgage, pledge, lien or other form of security interest upon any of its assets, rights or revenues, present or future, to secure any Indebtedness (as defined below) of or guaranteed by the Issuer, unless the obligations of the Issuer under the Notes and, if relevant, any related Receipts and Coupons, benefit from equivalent and equal ranking security.

**Indebtedness** means any indebtedness in respect of any present or future borrowing, represented by bonds or other securities or negotiable instruments (including in particular securities that are or were originally privately placed) listed or traded or capable of being listed or traded on any stock exchange or any other securities market.

#### ***Guarantees***

Noteholders will benefit from the ST Guarantee granted by ST and the Members Guarantees granted by Members who will have subscribed for a loan with the Issuer (together with ST, the **Guarantors**) (the **Member Guarantees**, together with ST Guarantee, the **Guarantees**).

The obligations of each of the Guarantors under each of the Guarantees are unsecured and unsubordinated commitments of each Guarantor and have ranked and will rank equally with all other unsecured and unsubordinated commitments, present and future, of each Guarantor, other than exceptions that are from time to time required under French law.

#### ***Events of Default***

The Terms of the Notes include events of default, in particular:

- (a) if the Issuer defaults on any payment of principal or interest due under any Note, Receipt or Coupon or, where applicable, any increase in the amount to be withheld or deducted under the Notes, for a period of more than fifteen (15) calendar days from the date such payment becomes due; or
- (b) if the Issuer defaults in the due performance of any other provision of the Terms of the Notes, and such default has not been remedied within thirty (30) calendar days after receipt by the Issuer of the notice of such default issued from the Representative or, in the event the Noteholders of a Series are not grouped together in a *Masse*, from any Noteholder; or
- (c) if the Issuer or ST makes a proposal for a general moratorium on its debts; or judgment is rendered for its judicial liquidation (*liquidation judiciaire*) or for termination of its entire business (*cession totale de l'entreprise*); or, to the extent permitted by law, the Issuer or ST is subject to any other procedure for liquidation or bankruptcy.

#### ***Withholding tax***

All payments of principal or interest in respect of Notes by or on behalf of the Issuer shall be made without any withholding or deduction in respect of any tax or duty of any kind, imposed, levied or collected by or on behalf of France, or any authority thereof with the power to levy tax, unless such withholding or deduction is

	<p>required by law.</p> <p>If pursuant to French law, payments of principal or interest on any Note, Receipt or Coupon become subject to a withholding or deduction by reason of any tax or duty, present or future, the Issuer undertakes, to the fullest extent permitted by law, to increase the amount of such payment so that the Noteholders, Receiptholders and Couponholders receive the full amount that would have been paid to them in the absence of such withholding, subject to various exceptions, detailed in section "Terms of the Notes" of this Base Prospectus.</p> <p><b><i>Selling Restrictions</i></b></p> <p>There are restrictions concerning the sale of Notes as well as the distribution of offer documents in various countries, particularly in the United States of America, in the EEA, United Kingdom, Italy, France and Switzerland. The Issuer falls within Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.</p> <p><b><i>Governing law</i></b></p> <p>French law. Any claims against the Issuer relating to the Notes, Receipts, Coupons or Talons shall be brought before the competent courts of the jurisdiction of the Court of Appeal of Lyon.</p>
<p><b>C.9</b></p> <p><b>Interest, maturity date and terms of redemption, yield and representation of Noteholders</b></p>	<p>Please also report to section C. 8 above.</p> <p>Issue of Notes of an amount of [●], bearing interest at a [●]% [fixed/floating/zero coupon] rate due [●].</p> <p><b><i>Interest commencement date</i></b></p> <p>The Notes shall bear interest from the date specified in the relevant Final Terms.</p> <p><b><i>Redemption Amount</i></b></p> <p>Except in case of Early Redemption or repurchase and cancellation, the Notes shall be redeemed at the maturity date at [100] % of their nominal amount.</p> <p><b><i>Optional Redemption</i></b></p> <p><b>Redemption at the option of the Issuer:</b> [Applicable: (<i>specify the amount of Optional Redemption</i>)] / [Not applicable]]</p> <p><b>Redemption at the option of the Noteholders:</b> [Applicable: (<i>specify the amount of Optional Redemption</i>)] / [Not applicable]]</p> <p><b><i>Early Redemption</i></b></p> <p>[Applicable: (<i>specify the amount of Optional Redemption</i>)] / [Not applicable]]</p> <p><b><i>Yield</i></b></p> <p>[The yield of the Notes is [•]] (<i>To be inserted only for Fixed Rate Notes</i>) / [Not applicable.]</p>

	<p><b>Representation of Noteholders</b></p> <p>[Full <i>Masse</i>/Contractual <i>Masse</i>]</p> <p>The <i>Masse</i> will act in part through a representative (the <b>Representative</b>) and in part through general meetings of the Noteholders.</p> <p>The name and contact details of the initial Representative of the <i>Masse</i> are: [●]</p> <p>The name and contact details of the alternate Representative of the <i>Masse</i> are: [●]</p> <p>The Representative appointed in respect of the first Tranche of any Series of Notes will be the representative of the single <i>Masse</i> of all Tranches in such Series.</p>
<p><b>C. 10</b></p> <p><b>Payments of the interests linked to derivative(s)</b></p>	<p>Not applicable. Payments of interests related to the Notes are not linked to underlying instrument.</p>
<p><b>C.11</b></p> <p><b>Listing and admission to trading</b></p>	<p><b>Admission to trading</b></p> <p>[[An application for the Notes to be listed and admitted to trading on [the regulated market of NYSE Euronext in Paris / other (<i>specify</i>)] from the [●] [has been made]/[shall be made by the Issuer (or on its behalf)]]. / [Not applicable].</p>
<p><b>C.21</b></p> <p><b>Trading Markets</b></p>	<p>For information regarding the market where the Notes, as the case may be, shall be listed and admitted to trading and for which the Base Prospectus has been published, please refer to section C. 11 above.</p>

#### Section D - Risks

Element	
<p><b>D.2</b></p> <p><b>Key information on the principal risks related to the Issuer</b></p>	<p>The Issuer is exposed to certain risks. There are a number of factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.</p> <p><b>Risks relating to the Issuer</b></p> <p><i>Risks that are specific to the Issuer and its business</i></p> <ol style="list-style-type: none"> <li>(1) Credit risk and strategic risk related to the fact that the Issuer operates for the exclusive benefit of Members and cannot therefore grant loans to other entities whilst maintaining a diverse credit exposure, resulting in a concentration of counterparty risk;</li> <li>(2) Risk that the launch of the Issuer's activities fails to meet the expectations, preventing the Issuer from reaching its objectives under the contemplated timetable (due to a lack of market interest in the Notes, its customers or its competitive environment);</li> </ol> <p><b>Other risks relating to the Issuer, including its status as a credit institution</b></p> <ol style="list-style-type: none"> <li>(1) Counterparty and concentration risk linked to hedging contracts and the Issuer's cash investments;</li> </ol>

- (2) Market-related risks: liquidity, interest rate and currency risks;
- (3) The risk of breach of regulatory ratios that affect the maintenance of its authorisation as a specialised credit institution as granted by the *Autorité de contrôle prudentiel et de résolution (ACPR)*;
- (4) Risks relating to the Directive on Recovery and Resolution in the European Union, which gives national authorities resolution powers which could have an impact on the rights of creditors of credit institutions (including the Issuer);
- (5) Operational risks linked to the inadequacy or breach of internal control rules, in particular those pursuant to the order of 3 November 2014, in relation to internal controls within the banking sector concerning undertakings, payment services and investment services which are subject to the control of the ACPR.
- (6) Risks relating to the information systems necessary for its business, to insurance taken to cover the risks to which it is exposed and risks related to human resources;
- (7) Political, macro-economic risks, or risks relating to the specific financial circumstances of the state where the Issuer carries out its activities.

***Risks relating to Members:***

- (1) Risks relating to Members' decision-making processes and the legal validity of acts and decisions adopted by them. A specific internal control procedure has been set by the Issuer.
- (2) Risks relating to the legal protections available to the assets of public entities and the non-repayment of Members' debts.
- (3) Risks relating to the impact on the resources of Members who are exposed to any changes in their legal environment that could affect the structure and volume of these resources. The level of the latter is particularly dependent on contributions paid by the state, which have been reduced for the period 2015-2017.
- (4) Risks relating to changes to the territorial administrative organization, and the type and number of local authorities that make up its customer base.

***Risks relating the Notes Guarantee mechanism:***

- (1) The ST Guarantee is capped at a maximum of 3,500,000,000 Euros and the actual ceiling of the ST Guarantee will be determined on a discretionary basis by the Issuer, notified to ST and will be specified in the Final Terms for each issue of Notes.
- (2) Risks relating to the fact that amounts borrowed by the Issuer intended to be higher than the amounts it lends to Members, all Notes issued under the Programme will consequently never benefit

	<p>from a 100% Guarantee under the Member Guarantees.</p> <p>(3) The risk relating to the total amount guaranteed under Member Guarantees which shall be at all times equal to the sum of loans made by the Issuer to its Members. Consequently, at the date of the first Issue under the Programme and, to the extent that the Issuer has not started its operational lending activity to Members, outstanding debt of local authorities to the Issuer is or will be zero, and so the amount covered by Member Guarantees at this date will be zero;</p> <p>(4) Risks relating to ST's dependence on Members to pay the full amount for which it could be liable under the ST Guarantee.</p> <p>(5) Risks that other creditors of the Issuer could benefit from the ST Guarantee and Member Guarantees and could therefore be in competition with Noteholders in the event that they also call upon one or the other of the Guarantees.</p>
<p><b>D.3</b></p> <p><b>Key information on the principal risks related to the Notes</b></p>	<p>Prospective investors shall take their investment decision in the Notes only after having thoroughly reviewed the information contained in the Base Prospectus and are invited to consult their own advisors on legal, fiscal and relating aspects.</p> <p>Some factors are significant to assess the risks related to the Notes issued within the Programme, in particular:</p> <p><i>General market risks:</i></p> <p>(1) The market for the Notes may be affected by economic and market conditions and, to varying degrees, by interest rates, exchange rates and inflation in other European and industrialised countries. Such factors may adversely affect the market of the Notes;</p> <p>(2) An active market for the Notes may not develop or be sustained and investors may be not be in a position to easily sell their Notes or to sell them at a price offering a yield comparable to similar products for which an active market would have otherwise developed;</p> <p>(3) The Issuer pays the principal and interest on the Notes in the currency specified in the relevant Final Terms. This presents certain currency conversion risks if the investor's financial activities are principally conducted in a different currency or monetary unit than the currency of the Notes.</p> <p>(4) Investment activities of certain investors are subject to laws and regulations relating to investments, or to control or regulation by supervisory authorities.</p> <p><i>General risks relating to the Notes:</i></p> <p>(1) The Notes may not be a suitable investment for all investors. An investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to assess how the Notes will perform;</p>

- (2) Independent rating agencies may assign a rating to Notes issued under this Programme. Such rating does not reflect the potential impact of the risk factors that may affect the value of the Notes issued under this Programme.
- (3) any Early Redemption of the Notes (including upon option available to the Issuer specified in the Final Terms of an issue of Notes) may result in the Noteholders receiving a yield considerably below their expectations;
- (4) it is likely that the Issuer redeems Notes when its borrowing cost is lower than the interest rate of the Notes. In such situation, an investor will usually not be able to reinvest the redemption proceed at an effective interest rate as high as the interest rate of the redeemed Notes and would only be able to reinvest in securities that offer a significantly lower yield;
- (5) the Terms and Conditions of the Notes do not contain any event of default in relation to default by a Guarantor under the relevant Guarantee or in relation to the cancellation, nullity or invalidity of a Guarantee;
- (6) the general meeting of Noteholders may, in some cases, deliberate on any proposal relating to the modification of the Terms of the Notes, but because of the representation arrangements for Noteholders at general meetings and of majority rules, some Noteholders, including Noteholders who did not attend the general meeting or who were not represented, may be bound by resolutions voted by Noteholders who were present or represented, even if they disagree with the decision;
- (7) no assurance can be given as to the effects on the Terms of the Notes of any judicial decision or any change of French law or regulation subsequent to the date of this Base Prospectus;
- (8) the common European financial transactions tax has a very broad scope and may, if adopted in its current version, apply to dealings in the Notes (including secondary market transactions) in certain circumstances. The issue and subscription of the Notes should, however, be exempt. It is strongly recommended for investors to invoke a professional advisor on issues relating to the common European financial transactions tax;
- (9) there is a risk that the Notes will not be redeemed on their maturity date if the Issuer is no longer solvent. The absence of redemption or partial redemption of the Notes would de facto result in a loss of investment in the Notes.

*(Include the following paragraph below for an issue of Floating Rate Notes)*

- [Floating Rate Notes: A key difference between Floating Rate Notes and Fixed Rate Notes is that interest payments on Floating Rate Notes cannot be predicted. Due to fluctuations in interest payments, investors cannot determine the actual yield on the Floating Rate Notes at the time of

	<p>purchase, and therefore their investment returns cannot be compared to investments with longer fixed interest periods. If the terms of the Notes specify frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates fall. In such case, investors will only be able to reinvest their interest income at a potentially lower prevailing interest rate.</p> <ul style="list-style-type: none"> <li>• Accordingly, the market value of Floating Rate Notes may be volatile if changes, in particular short term changes, on the interest rate market applicable to the relevant rate cannot be applied to the interest rate of such Notes until the next periodic adjustment of the relevant rate.]</li> </ul> <p><i>(Include the following paragraph below for an issue of Fixed Rate Notes)</i></p> <p>[Fixed Rate Notes: It cannot be ruled out that the value of Fixed Rate Notes may be adversely affected by future fluctuations on the interest rate markets.]</p> <p><i>(Include the following paragraph in case of fixed/Floating Rate Notes)</i></p> <p>[Fixed/Floating Rate Notes may bear interest at a fixed rate that the Issuer can choose to convert into a floating rate, or at a floating rate that the Issuer chooses to convert into a fixed rate. The ability of conversion offered to the Issuer may affect the secondary market and the market value of the Notes as the Issuer can chose to convert the rate when it allows it to reduce its total borrowing cost. If the Issuer converts a fixed rate into a floating rate, the rate spread may be less in favour than the rate spreads on Floating Rate Notes having the same reference rate. In addition, the new floating rate may be at any time below the interest rates of other Notes. If the Issuer converts a floating rate into a fixed rate, the fixed rate can be below to rates applicable to its other Notes.]</p>
	<p><i>(Include the following paragraph for an issue of Zero-Coupon Notes):</i></p> <p>[Zero-Coupon Notes and other Notes issued at a substantial discount or premium: The market value of Zero Coupon Notes and other securities issued below par or with an issue premium tends to be more sensitive to fluctuation due to variations in interest rates than typical interest-bearing securities. Generally, the longer the maturity of the Notes, the more the price volatility of such Notes resembles that of typical interest-bearing securities of similar maturity.</p>

### Section E – Offer

<b>Element</b>	
<p><b>E.2b</b></p> <p><b>Reasons of the offer and using of the proceeds of the offer</b></p>	<p>[The net proceeds of issues of the Notes are intended to finance the activities conducted by the Issuer in accordance with its general corporate purposes. More specifically, the proceeds of the issue of the Notes will be used in priority to the distribution of loans to Members in connection with the credit granting policy and the gradual formation of the liquidity reserve in accordance with regulatory obligations and good management practices. <i>(in case of specific use of the net proceeds of the issue of the Notes, it may be specified in this item)</i>].</p>



<p><b>E.3</b></p> <p><b>Terms of the Notes</b></p>	<p>[Not applicable, the Notes are not offered to the public.] /  [The Notes are offered to the public in [●].</p> <p>Conditions to which the offer is submitted: [Not applicable/[●].]</p> <p>Total amount of the offer. <i>(If the amount is not fixed, describe the terms and delay under which the final amount shall be announced to the public):</i> [●].</p> <p>Specify the period, mentioning any possible amendment, during which the offer will be open and describe the application subscription process: [Not applicable/[●]].</p> <p>Details of the minimum and/or amount of application: [●].</p> <p>Manner in and date on which results of the offer are made public: [Not applicable /[●].]</p> <p>Other than as set out in section A.2 above, neither the Issuer nor, nor the Guarantors, nor any of the Dealers has authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use the Prospectus in connection with its offer of any Notes.</p> <p>Any such offers are not made on behalf of the Issuer, or the Guarantors or by any of the Dealers or Authorised Institutions and none of the Issuer, or the Guarantors or any of the Dealers or Authorised Institutions has any responsibility or liability for the actions of any person making such offers.</p>
<p><b>E.4</b></p> <p><b>Interests, including conflicting interests, that may significantly impact the issue/offer</b></p>	<p>[Not applicable, so far as the Issuer is aware, no person involved in the issue has an interest material to the issue.] / [The Dealers will be paid an aggregate commission equal to [●] per cent. of the nominal amount of the Notes. So far as the Issuer is aware, no other person involved in the issue of the Notes has an interest material to the issue].The Dealers and their affiliates have been engaged, and may be engaged, in investment banking and/or commercial banking transactions with the Issuer or the Guarantors and may perform other services for the Issuer in the ordinary course of business.]</p>
<p><b>E.7</b></p> <p><b>Estimated expenses charged to investor by the Issuer or the offeror</b></p>	<p>[Not applicable, no expenses are charged to the investor. / The expenses charged to the investor amount to [●]. ]</p>

## **ANNEX 2 - DATA ON MEMBER GUARANTEES AT THE DATE OF ISSUE**

**[The data available on the website of the Issuer at the date of the Issue for the updated list of Members and the share of each in the Member Guarantees will be included in the Final Terms of each Issue launched under the EMTN programme. A reference to the terms of the Guarantee call contained in the prospectus will also be inserted.]**

## APPENDIX TO THE BASE PROSPECTUS

The Issuer has chosen to present its company accounts prepared in accordance with IFRS. However, only the company accounts prepared in accordance with French standards (French GAAP) have legal standing.

These accounts are therefore reproduced below, together with the related auditors' report.

(a) Issuer's financial information in accordance with French accounting standards.

### 1. INDIVIDUAL ACCOUNTS AT 31 DECEMBER 2014

#### 1.1 ASSETS at 31 December 2014

ASSETS	Notes	31/12/2014 In €K
CASH, CENTRAL BANKS, BANK CREDIT BALANCES		
GOVERNMENT STOCK AND SIMILAR SECURITIES	1, 2	13 309
AMOUNTS DUE FROM BANKS		5 919
CUSTOMER TRANSACTIONS		
BONDS AND OTHER FIXED INCOME SECURITIES	1, 2	17 446
SHARES AND OTHER VARIABLE INCOME SECURITIES		
SHAREHOLDINGS AND OTHER LONG-TERM SECURITIES		
SHARES IN RELATED COMPANIES		
LEASING AND HIRE-PURCHASE		
OPERATING LEASE		
INTANGIBLE FIXED ASSETS	3	5 829
TANGIBLE FIXED ASSETS	3	649
CALLED UP SHARE CAPITAL NOT PAID		
TREASURY SHARES		
OTHER ASSETS		1 536
ADJUSTMENT ACCOUNT		26
<b>TOTAL ASSETS</b>		<b>44 714</b>

## 1.2 LIABILITIES AT 31 DECEMBER 2014

LIABILITIES	Notes	31/12/2014 In €K
CASH, CENTRAL BANKS, BANK CREDIT BALANCES		
DEBTS TO BANKS	4	15 800
CUSTOMER TRANSACTIONS		
DEBTS REPRESENTED BY A SECURITY		
OTHER LIABILITIES		1 157
ADJUSTMENT ACCOUNT		
PROVISIONS	6	3
SUBORDINATED DEBTS		
FUND FOR GENERAL BANKING RISKS (FRBG)		
<b>EQUITY EXCEPT FRBG</b>	<b>7</b>	<b>27 754</b>
SUBSCRIBED CAPITAL		35 800
ISSUE PREMIUMS		
RESERVES		
REVALUATION RESERVE		
TAX RELATED PROVISIONS AND CAPITAL GRANTS		
RETAINED PROFIT OR LOSS BROUGHT FORWARD (+/-)		
PROFIT OR LOSS FOR THE PERIOD (+/-)		-8 046
<b>TOTAL LIABILITIES</b>		<b>44 714</b>

### 1.3 OFF BALANCE SHEET COMMITMENTS at 31 December 2014

OFF BALANCE SHEET COMMITMENTS	Notes	31/12/2014 In €K
<b>Commitments made</b>		
<b>Funding commitments</b>		
<b>Guarantee commitments</b>		
<b>Commitments on securities</b>		
<b>Received commitments</b>		
<b>Funding commitments</b>	<b>4</b>	<b>9 200</b>
Commitments received from banks		9 200
<b>Guarantee commitments</b>		
<b>Commitments on securities</b>		

## 1.4 INCOME STATEMENT at 31 December 2014

INCOME STATEMENT	Notes	31/12/2014 In €K
+ Interest and related income	2	425
- Interest payable and similar charges		-63
+ Income from leasing and similar arrangements		
- Expenses from leasing and similar arrangements		
+ Operating lease income		
- Operating lease expenses		
+ Income from variable rate securities		
+ Fees (income)		
- Fees (expenses)		-53
+/- Profits or losses on trading portfolio transactions		1
+/- Profits or losses on investment portfolio and similar transactions		
+ Other banking income		
- Other banking running costs		
<b>NET BANKING INCOME</b>		<b>311</b>
- General Operating Expenses	5	-7 798
- Depreciation charges	3	-559
<b>GROSS OPERATING INCOME (LOSS)</b>		<b>-8 046</b>
- Cost of risk		
<b>OPERATING INCOME (LOSS)</b>		<b>-8 046</b>
+/- Profit or loss on fixed assets		
<b>PRE-TAX INCOME (LOSS) BEFORE EXCEPTIONAL ITEMS</b>		<b>-8 046</b>
+/- Exceptional income (loss)		
- Income taxes		
+/- FRBG increases/reversals and regulated provisions		
<b>NET INCOME (LOSS)</b>		<b>-8 046</b>
<b>Earnings per share</b>		<b>-0.02</b>

## 2. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2.1 General background

#### 2.2.1. Presentation of Agence France Locale ("the Issuer")

The Agence France Locale Group includes AFL - Société Territoriale ("AFT ST") and AFL ("the Issuer")

Agence France Locale, limited liability company (*Société Anonyme*) with an Executive and Supervisory Board was registered on 27 December 2013 at the Paris Trade and Companies Register (France) under number 799 379 649. Its registered office is located at 10 and 12 boulevard Marius Vivier Merle - Tour Oxygène 69 393 Lyon cedex 03.

The Issuer's first financial year ended on 31 December 2014.

Upon the company's establishment, capital amounted to €50K. Following the extraordinary general meeting on 17 February 2014, a decision was made to increase the share capital by €16,950K. A second increase in share capital of €13 200K was decided on 24 June 2014. A third new issue of capital of €5 600K was decided on 25 November 2014.

At 31 December 2014, the capital consists of 358,000 shares of €100 each.

#### 2.2.2. Operations

AFL Group aims to allow Local Authorities to be more financially independent, in particular by contributing to the diversification of their sources of finance.

The Issuer will finance its activities by raising funds on financial markets, thereby positioning itself as the ideal middleman between financial markets and the member Authorities. The first loans to local authorities are scheduled for the first quarter 2015.

On 22 December 2014, the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) issued an approval to the Issuer to carry out banking operations provided under the banking law of 24 January 1984. This approval will take effect following various administrative steps, including publication in a newspaper of a legal announcement regarding the Issuer's new status.

#### 2.2.3. Post-closing events

No major event occurred at the beginning of the 2015 financial year which is likely to have an impact on these accounts.

### 2.2 Accounting methods and principles

The Issuer's financial statements have been prepared pursuant to French accounting standards applicable to banks.

#### 2.2.1. Presentation method

The Issuer's financial statements are presented in accordance with the provisions of regulation 91-01 of the *Comité de la Réglementation Bancaire et financière* (CRBF), as amended by regulations 2001-02 of the *Comité de la Réglementation Comptable* (CRC) and 2010-08 of 7 October 2010 of the *Autorité des Normes Comptables* (ANC) and recommendation no.2001-R-02.

#### 2.2.2. Accounting policies and assessment methods

General accounting conventions were applied in compliance with the principle and according to the following basis assumptions:

- the company is a going concern,

- accounting methods used were consistent,
- the financial years were independent.

And in accordance with the general rules relating to the preparation and presentation of annual financial statements.

The principal accounting methods used are as follows:

#### 2.2.2.1 Fixed assets

The Issuer applies regulations CRC 2002-10 of 12 December 2002 relating to the amortisation and depreciation of assets and 2004-06 relating to accounting and valuation of assets, with the exception of provisions related to the Issuer's initial costs of establishment which were recorded on the balance sheet under intangible fixed assets as authorised by Article R.123-186 of the French *Code de Commerce*.

The acquisition cost of fixed assets includes, in addition to the purchase price, related expenses, including the expenses directly or indirectly related to the acquisition for the maintenance of the asset or its entry onto the company's balance sheet.

Any software acquired is recorded at a gross value of their acquisition cost.

IT costs are fixed where they meet the conditions provided in regulation 2004-06, i.e. they represent all of the expenses envisaged for the set-up of the IT system.

Fixed assets are depreciated according to their estimated usable life, with the exception of the costs of establishment, which are depreciated over a maximum of 5 years, pursuant to the French *Code de commerce* (Article R.123-187).

Finally, on the basis of the information available to the Issuer on the value of its fixed assets it has concluded that depreciation tests would not lead to a change in the existing basis for depreciation.

The table below sets out the depreciation period for each type of fixed asset:

<b>Fixed asset</b>	<b>Depreciation period</b>
Establishment costs	5 years
Software	5 years
Website	3 years
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years
Development expenses	5 years

Depreciation is calculated on a straight-line basis.

#### 2.2.2.2 Securities portfolio

The rules relating to the accounting of securities transactions are defined by regulation CRB 90-01 as amended by regulations CRC 2005-01, 2008-07 and 2008-17 and by regulation CRC 2002-03 in relation to the determination of the credit risk and depreciation of fixed income securities.



The securities are set out in the financial statements by type: treasury bills (*Bons du Trésor* and similar securities), bonds and other fixed income securities (negotiable debt securities and interbank certificates), shares and other variable rate securities.

They are categorised in the portfolios provided by regulation (transaction, placement, investment, portfolio investment, other long-term securities, shareholdings) in accordance with the initial intention for holding the securities upon their acquisition.

### **Marketable securities**

This category relates to securities that do not fall into the other categories of security.

Marketable securities are recorded on the basis of their acquisition cost, including fees.

- Bonds and other fixed income securities:

These securities are recorded by acquisition cost including accrued coupons and fees. The difference between acquisition cost and redemption value is spread on an actuarial basis over the residual term of the security.

Related income is recorded in the income statement under: "Interest and related income"

- Shares and other variable income securities:

Shares are recorded on the balance sheet at their purchase value including acquisition costs. Share dividend income is recorded in the income statement under: "Income from variable rate securities"

Income from unit trusts (SICAV) and mutual funds (*Fonds Communs de Placement*) are recorded in the same section upon receipt.

At the end of the financial year, investment securities are valued at the lowest of acquisition cost and market value. As such, when the inventory value of a series or homogenous group of securities (calculated for example on the basis of the market price on the closing date) is lower than the accounting value, unrealised capital losses are depreciated without offsetting the capital gains in other categories of security. Hedging profits, in accordance with Article 4 of Regulation 88-02 of the CRB, being purchases or sales of financial forward contracts, are taken into account in calculating depreciation. Potential gains are not recorded.

### **Investment securities**

Fixed income fixed term securities acquired or reclassified in this category and which are intended to be held-to-maturity are recorded as investment securities.

Only securities for which the Issuer has the necessary financing capacity to hold-to-maturity and is not subject to any legal or other restriction in relation to his intention to hold-to-maturity are recorded in this category.

Investment securities are accounted at their acquisition price, including acquisition fees and accrued coupons.

The difference between acquisition price and redemption price is spread on an actuarial basis over the residual term of the security.

There is no depreciation of investment securities if their market value is lower than their cost price. However, where a credit risk with regard to the issuer of a security is identified, the security is depreciated in accordance with regulation CRC 2002-03 on credit risk. It is recorded under "Cost of risk".

In the event of the sale or transfer to another category of an investment security for a significant amount, the company is not authorised, during the relevant financial year and for two subsequent financial years, to categorise investment securities previously acquired or to be acquired in accordance with regulation CRC 2005-01, subject to exceptions therein and in CRC 2008-17.

## Market price

Where applicable, the market price of different securities is determined as follows:

- securities traded on an active market are valued at their closing price,
- if the security traded on a market that is not or is no longer active, or if it is not listed, the Issuer uses valuation techniques to determine the likely trading price of the relevant security. Initially, these techniques are based on recent transactions carried out under normal terms of competition. If necessary, the Issuer uses standard market valuation techniques to value its securities, where it can show that such techniques give reliable estimates of real market prices.

## Recording dates

The Issuer records investment securities as at the settlement date. Other securities, regardless of their type or category, are recorded on the trade date.

## Investment and marketable securities

CRC regulation 2000-03, appendix 1, paragraph III. 1.2, supplemented by regulation no. 2004-16 of 23 November 2004 and CRC regulation no.2005-04, obliges credit institutions to provide:

- a breakdown between portfolios of marketable and investment securities and portfolio transactions, treasury bills and similar securities, bonds and other fixed income securities, shares and other variable income securities;
- With regard to marketable securities, unrealised gains on the difference between market value and acquisition value, unrealised losses on marketable securities and portfolio securities subject to a balance sheet provision and investment securities are included.

### 2.2.2.3 Provisions relating to staff benefits

This Issuer applies recommendation no. 2013-02 of the *Autorité des Normes Comptables* of 7 November 2013 relating to accounting and assessment rules on retirement commitments and similar benefits.

Pursuant to this recommendation, the Issuer funds its retirement and similar benefits through a defined benefit scheme.

These liabilities are valued on the basis of a set of actuarial, financial and demographic assumptions according to the "Projected Unit Credit Method". Under this method, an expense is recorded for each year of service of the employee corresponding to the rights acquired over that year. This expense is calculated on the basis of the projected benefit obligation.

The entity has chosen to use method 2 of recommendation 2013-12, which provides for profits or losses from changes to the defined benefit scheme to be recorded at the time of reduction or liquidation.

The entity has chosen to recognise actuarial gains and losses from the next financial year, in stages over the average remaining years of service of staff under the scheme. Consequently, the provision is equal to:

- the current value of the defined benefit obligation as at the closing data, calculated in accordance with the actuarial method advised in the recommendation,
- plus any non-booked actuarial gains (less any actuarial losses),
- minus, if applicable, the fair value of scheme assets. These may be represented by an eligible insurance policy. Where the obligation is completely covered by the insurance policy, the fair value of the policy will be considered as that of the corresponding obligation (i.e. the amount of corresponding actuarial debt).

It should be noted that the recommendation also allows for actuarial gains and losses to be measured according to the corridor method or any other method resulting in their prompt measurement.

## 2.3 ADDITIONAL NOTES

### Note 1: Breakdown of unlisted fixed or variable rate securities

Paragraph III.1.2 of appendix 1 to CRC Regulation 2000.03 provides that credit institutions must provide, in their notes, breakdown of listed and unlisted bonds and other fixed income securities, and shares and other variable income securities.

At 31 December 2014, the Issuer's securities portfolio comprises exclusively investment securities:

	<b>Bonds and other fixed income securities</b>	<b>Government stock and similar securities</b>	<b>Shares and other variable income securities</b>	<b>Total</b>
	<b>In €K</b>	<b>In €K</b>	<b>In €K</b>	<b>In €K</b>
<b>Fixed or variable income securities</b>	<b>17 446</b>	<b>13 309</b>		<b>30 755</b>
of which listed securities	17 202	13 118		30 320
of which unlisted securities				
Receivables	244	191		435
Depreciations				
<b>Net balance sheet value</b>	<b>17 446</b>	<b>13 309</b>		<b>30 755</b>
<i>Of which goodwill premium</i>	202	762		964

Breakdown of remaining term of fixed income securities (in €K)

	≤3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	Total principal amount	Receivables	Total
<b>Bonds and other fixed income securities</b>							
Gross value				17 202	17 202	244	17 446
Depreciations							
<b>NET BALANCE SHEET VALUE</b>				<b>17 202</b>	<b>17 202</b>	<b>244</b>	<b>17 446</b>
<b>Government stock and similar securities</b>							
Gross value				13 118	13 118	191	13 309
Depreciations							
<b>NET BALANCE SHEET VALUE</b>				<b>13 118</b>	<b>13 118</b>	<b>57</b>	<b>30 755</b>

**Note 2: Income from securities**

At 31 December 2014, the breakdown of income from marketable and investment securities is as follows:

Categories	31/12/2014 (in €K)
Marketable securities (1)	1
<b>Total income on variable income securities</b>	<b>1</b>
Investment securities (2)	425
<b>Total income on fixed income securities</b>	<b>425</b>
<b>Total income on securities</b>	<b>425</b>

(2) UCITS shares

(3) Bonds and similar securities

**Note 3: Fixed assets**

At 31 December 2014, tangible fixed assets are as follows:

Components	Amount (in €K)
Tangible fixed assets	660
Tangible fixed assets in course of construction	3
<b>Gross value of the tangible fixed assets</b>	<b>663</b>
Depreciation of tangible fixed assets	-14
<b>Net value of the tangible fixed assets</b>	<b>649</b>

At 31 December 2014, intangible fixed assets are as follows:

Components	Amount (in €K)
Intangible fixed assets (1) and (2)	6 252
Intangible fixed assets in progress (3)	122
<b>Gross value of the intangible fixed assets</b>	<b>6 374</b>
Depreciation of intangible fixed assets	-545
<b>Net value of the intangible fixed assets</b>	<b>5 829</b>

The Issuer has recorded the following expenses in intangible fixed assets:

- (1) €2 123 k of expenses related to the establishment of the Issuer (legal fees, rating fees, preparation of the business plan and obtaining the approval).
- (2) €3 861K of IT costs related to the establishment of the main IT tool.
- (3) €122K under intangible fixed assets in progress related to the agreement to launch a web portal.

**Note 4: Debts owed to banks and financial commitments received**

The banks HSBC France and Natixis opened a bridging loan in the form of a revolving credit line of up to €25 000K. This credit revolving facility allows the Issuer (the borrower) to have a continuous reserve in an account.

The amount of commitments is spread as follows:

- HSBC France - up to €12 500K
- Natixis - up to €12 500K

As at 31 December 2014, €15 800 has been drawn down and is thus recorded as a financial debt. The Issuer has a permanent option to extend the term of the revolving credit facility to a maximum repayment date of 24 February 2016.

The remaining amount of the facility is €9 200K. Interest accrued in respect of these debts is booked as related payables through profit or loss.

**Note 5: General Operating Expenses**

At 31 December 2014, the Issuer has 18 paid staff.

<b>Items</b>	<b>Amounts</b>
Staff costs	
Salaries	1 359
Retirement and similar expenses	142
Other employment expenses	485
<b>Total Staff Expenses</b>	<b>1 986</b>
Administrative expenses	
Taxes	19
External services	12 233
<b>Total Administrative Charges</b>	<b>12 252</b>
Chargeback and transfers of administrative expenses	-6 440
<b>Total General Operating Expenses</b>	<b>7 798</b>

The section "External services" mainly comprises legal fees, and expenses incurred in setting up the Issuer and establishing the target IT tool.

The section "Chargeback and transfers of administrative expenses" includes in particular the transfers of running costs related establishment expenses (€2 123K) and IT costs in intangible fixed assets (€3 983K).

**Note 6: Staff benefits**

At 31 December 2014, short-term staff benefits comprise:

<b>Items</b>	<b>Amount In €K</b>
Provision and expenses for variable remuneration	188
Other staff benefits	36
<b>Total short-term benefits</b>	<b>224</b>

For each defined benefit scheme, the group makes an allowance equal to the liabilities, net of fair value of the scheme's financial assets.

At 31 December 2014, post-employment benefits for staff comprise:

Items	Amount In €K
<b>Post-employment benefits</b>	<b>3</b>
Provision for retirement indemnities (1)	3
<b>Total post-employment benefits</b>	<b>3</b>

(1) The valuation method used is the "Projected Unit Credit Method".

**Note 7: Shareholders' equity**

In €K	Capital	Reserves/Others	Balance brought forward	Income (loss)	Equity except FRBG
<b>Equity upon establishment of the company</b>	50				<b>50</b>
Issuance (repayment) of shares					
Appropriations					
Distribution of dividends					
Capital increase	35 750				<b>35 750</b>
Capital repayment					
Other changes					
Profit (loss) over the financial year				-8 046	<b>-8 046</b>
<b>Total at 31 December 2014</b>	<b>35 800</b>			<b>-8 046</b>	<b>27 754</b>

Number of securities					
	At the beginning of the financial year	Added during the financial year	Repaid during the financial year	At the end of the financial year	Face value in Euros
Ordinary shares		358 000			100
Amortised shares					
Shares with priority dividend without voting rights					
Preferential shares					
Capital holdings					
Investment certificates					

**Note 8: Other information on the company**

At 31 December 2014, ST holds 99.99% of the Issuer's shares, which included it within the scope of its consolidation. It is included in the tax-consolidated Group of which ST is the parent company.

**Note 9: Related party transactions**

The Issuer's main managers are the Members of the Executive Board. The amount of remuneration to them was €582k during the financial year 2014. This amount corresponds only to short-term benefits and includes all forms of consideration paid by the Group, in exchange for services.

The total amount of directors' fees will be set at the Annual general meeting of the Issuer's shareholders convened to approve the 2014 company accounts.

**Note 10: Proposed allocation of income (loss) for FY2014**

The Board of Directors will propose to the General Meeting of shareholders that the loss of €8 045 761 for the financial year be allocated as retained earnings.



(b) Auditors' report on the accounts established in accordance with French standards at 31 December 2014.

**KPMG AUDIT FS I**  
3, cours du Triangle  
92939 Paris La Défense

**Cailliau Dedouit et Associés**  
19, rue Clément Marot  
75008 Paris

**AUDITORS' REPORT**  
**ON THE ANNUAL STATEMENTS**  
**(Financial year ended 31 December 2014)**

To the Shareholders  
**AGENCE FRANCE LOCALE**  
Tour Oxygène  
10 12, boulevard Vivier Merle  
69393 LYON CEDEX 03

Dear Sirs

Pursuant to the mission entrusted to us by your general assembly, we present to you our report relating to the financial year ended 31 December 2014, on:

- the review of the annual financial statements of Agence France Locale S.A., as set out in the adjacent report,
- the grounds for our assessments,
- verification and specific information required by law.

The annual accounts were approved by the Executive Board. Our role is to express an opinion on these annual accounts, based on our audit.

**1. Opinion on the annual financial statements**

We carried out our audit according to professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves the verification, on a test basis or through the use of any other selection methods, of the evidence supporting the amounts and disclosures included in the annual financial statements. It also involves making an assessment of the accounting principles used and the significant estimates retained and appreciating their overall presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We certify that the annual financial statements, with regard to French accounting rules and principles, provide a true and clear view of the company's operations for the previous financial year and of the company's financial situation and assets at the end of the financial year.

**2. Grounds for our assessments**

Pursuant to the provisions of Article L. 823-9 of the French *Code de commerce* relating to the grounds for our assessments, we bring to your attention the following elements:

As indicated in paragraph 2.2.2.1. and in note 3 to the annual financial statements, your company chose to record initial establishment costs of Agence France Locale as an asset, under the accounting option provided by the French *Code de commerce*. In the context of our assessment of the accounting principles applied by your company, we examined how establishment costs and related amortisation were recorded as assets and ascertained that notes 2.2.2.1. and 3 of the notes to the financial statements provide suitable information.

Our assessments are therefore a part of our audit of the annual financial statements, taken as a whole, which have contributed to our opinion set out in the first part of our report.

### **3. Verification and specific information**

In accordance with professional standards applicable in France, we have also carried out the verification provided by law.

We have no comments as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Executive Board and in the documents distributed to shareholders on the financial situation and annual financial statements.

Signed in Paris la Défense and in Paris on 3 February 2015

The Auditors

**KPMG Audit FS I**

**Cailliau Dedouit et Associés**

Fabrice Odent

Laurent Brun

## GENERAL INFORMATION

1. The Issuer has obtained all consents, approvals and authorisations necessary in France in connection with the establishment of the Programme. The Issuer has obtained all necessary consents, approvals and authorisations in France in connection with the establishment of the Programme. Any issuance of Notes under the Programme, to the extent that such Notes constitute obligations under French law, requires a decision of the Executive Board (*Directoire*).
2. The provision of the ST Guarantee by ST has been authorised by decisions of the Board of Directors of ST dated 5 June and 18 November 2014. The decision of the Executive Board of the Issuer dated 20 February 2015 fixed the effective cap of the ST Guarantee at €1,500,000,000. Following this decision of the Executive Board, the Issuer has sent a Guarantee statement dated 25 February 2015 to the ST, notifying it that the effective cap of the ST Guarantee is extended to a total of €1,500,000,000. This amount is subject to adjustments in accordance with the terms and conditions of the ST Guarantee included in paragraph 2 of the “Description of the Guarantors and the Guarantee Mechanism” section.
3. There has been no material change to the financial situation of the Issuer since 31 December 2014. Since 31 December 2014, there has been no material change in the financial or commercial position of ST.
4. Except for the disclosure provided in paragraph 4 of the Description of the Issuer, there has been no material adverse change in the prospects of the Issuer or the group since 31 December 2014. Since 31 December 2014, there has been no material change in the prospects of ST.
5. This Base Prospectus received visa No. 15-079 from the *Autorité des Marchés Financiers*, on 6 March 2015. An application for admission to trading on Euronext Paris or on the Luxembourg Stock Exchange will be made if required. Application has been made for the delivery by the *Autorité des Marchés Financiers* of a certificate of approval specifying that the Base Prospectus has been drawn up in accordance with the Prospectus Directive to the *Commission de Surveillance du Secteur Financier* (CSSF) as competent authority in Luxembourg for the purposes of the Prospectus Directive. In compliance with Article 18 of the Prospectus Directive, such notification may also be made from time to time at the Issuer's request to any other competent authority of any other Member State of the EEA.
6. This Base Prospectus and any supplements (if required) will be published on the websites of (a) the AMF ([www.amf-france.org](http://www.amf-france.org)), (b) the Issuer ([www.agence-france-locale.fr](http://www.agence-france-locale.fr)) and (c) any other relevant regulatory authority and shall be available for inspection and obtaining copies, free of charge, during normal office hours, on any weekday (except Saturdays, Sundays and public holidays) at the offices of the Fiscal Agent or the Paying Agents. So long as any Notes are admitted to trading on a regulated market in the EEA or offered to the public in a member State other than France, in each case in accordance with the Prospectus Directive, the relevant Final Terms shall be published on the websites of (i) the AMF ([www.amf-france.org](http://www.amf-france.org)) and (ii) the Issuer ([www.agence-france-locale.fr](http://www.agence-france-locale.fr)).
7. Since 31 December 2014, the Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings, nor is it aware of any such proceedings pending or being threatened that may have or have recently had a material effect on the financial position of the Issuer. Since 31 December 2014, ST is not, and has not been, involved in any governmental, legal or arbitration proceedings, nor is it aware of any such proceedings pending or being threatened that may have or have recently had a material effect on its financial position.
8. An admission application of the Notes for clearance through Euroclear France (66, rue de la Victoire, 75009 Paris, France), Euroclear (boulevard du Roi Albert II – 1210 Brussels – Belgium) and Clearstream, Luxembourg (42 avenue JF Kennedy – 1885 Luxembourg – Grand-Duchy of Luxembourg) may be made. The Common Code and ISIN number (International Securities

Identification Number) or the identification number of any other relevant clearing system for each Series of Notes shall be specified in the applicable Final Terms.

9. So long as any Notes issued under this Programme remain outstanding, copies of the following documents shall be available, upon publication, free of charge, during normal office hours, on any weekday (except Saturdays, Sundays and public holidays) at the specified office of the Fiscal Agent and the Paying Agents:
  - (a) the *statuts* of the Issuer and ST
  - (b) the Fiscal Agency Agreement (which includes the form of accounting letter (*lettre comptable*), the Temporary Global Certificates, Physical Notes, Coupons, Receipts and Talons);
  - (c) all Final Terms relating to any Notes admitted to trading on Euronext Paris or any other regulated market or offered to the public in a Member State of the EEA;
  - (d) a copy of this Base Prospectus and of any supplement to this Base Prospectus or any new base prospectus; and
  - (e) all reports, correspondence and other documents, appraisals and statements issued by any expert at the request of the Issuer, any extracts of which, or references to which, are contained in this Base Prospectus relating to any issue of Notes.
10. The price and the amount of the Notes issued within the Programme shall be determined by the Issuer and each relevant Dealer at the time of the issue in accordance with the market conditions.
11. For any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes shall be specified in the relevant Final Terms. The yield shall be calculated at the Issue Date of the Notes on the basis of the Issue Price and shall not be an indication of future yields.
12. KPMG Audit FS I (Immeuble Le Palatin, 3 cours du Triangle, 92939 Paris La Défense Cedex) and Cailliau Dedouit et Associés (19, rue Clément Marot, 75008 Paris) are the auditors of the Issuer and ST for the year ended 31 December 2014. KPMG Audit FS I is a member of the *Compagnie régionale des commissaires aux Comptes de Versailles*. Cailliau Dedouit et Associés is a Member of the *Compagnie régionale des commissaires aux Comptes de Paris*. KPMG Audit FSI and Cailliau Dedouit et Associés have reviewed the financial statements of the Issuer and of ST for the financial year end 31 December 2014 and their related audit reports do not contain any reservations.

## RESPONSIBILITY FOR THE BASE PROSPECTUS

### 1. PERSON ASSUMING RESPONSIBILITY FOR THIS BASE PROSPECTUS

Yves Millardet, President of the Executive Board

### 21. RESPONSIBILITY STATEMENT

*"I confirm, having taken all reasonable care to ensure that such is the case, that the information contained in this Base Prospectus is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import."*

Yves Millardet, President of the Executive Board

### 22. PERSON ASSUMING RESPONSIBILITY FOR THE INFORMATION

Thiébaut Julin, Chief Financial Officer, Member of the Executive Board  
Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon  
Telephone: + 33 (0) 4 81 11 29 33  
Télécopie: +33 (0) 4 81 11 29 20  
Thiebaut.julin@agence-France-locale.fr  
[www.agence-france-locale.fr](http://www.agence-france-locale.fr)



In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and with the *Règlement Général* of the *Autorité des marchés financiers (AMF)*, in particular Articles 212-31 to 212-33, the AMF has granted to this Base Prospectus the visa No. 15-079 dated 6 March 2015. This prospectus was prepared by the Issuer and its signatories assume responsibility for it.

In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "*whether the document is complete and comprehensible, and whether the information it contains is coherent*". It does not imply that the AMF considers the transaction appropriate nor that it has verified the accounting and financial data set out in it.

In accordance with article 212-32 of the *Règlement Général* of the AMF, the Final Terms of any issue or admission to trading of Notes on the basis of this base prospectus must be published.

**Issuer**

**Agence France Locale**  
Tour Oxygène  
10-12 Boulevard Vivier Merle  
69003 Lyon  
France

**Guarantor**

**Agence France Locale – Société Territoriale**  
41, quai d'Orsay  
75007 Paris  
France

**Arranger**

**HSBC France**  
103, avenue des Champs Elysées  
75008 Paris  
France

**Natixis**  
30, avenue Pierre Mendès-France  
75013 Paris  
France

**Dealers**

**Australia and New Zealand  
Banking Group Limited**  
28th Floor  
40 Bank Street  
Canary Wharf  
London E14 5EJ  
United Kingdom

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets  
Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Crédit Agricole Corporate  
and Investment Bank**  
9, quai du Président Paul  
Doumer  
92920 Paris La Défense  
France

**Daiwa Capital Markets  
Europe Limited**  
5 King William Street  
London EC4N 7AX  
United Kingdom

**HSBC France**  
103, avenue des Champs  
Elysées  
75008 Paris  
France

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Natixis**  
30, avenue Pierre Mendès-  
France  
75013 Paris  
France

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

**The Toronto-Dominion Bank**  
60 Threadneedle Street  
London EC2R 8AP  
United Kingdom

**Fiscal Agent, Principal Paying Agent and Calculation Agent**

**BNP Paribas Securities Services**  
Les Grands Moulins de Pantin  
9, rue du Débarcadère  
93500 Pantin

France

**Legal advisers**

**to the Issuer**

**Willkie Farr & Gallagher LLP**

21-23 rue de la Ville l'Evêque  
75008 Paris  
France

**to the Dealers**

**Allen & Overy LLP**

52, avenue Hoche  
CS 90005  
75008 Paris  
France

**Auditors of the Issuer**

**KPMG Audit FS I**

Immeuble Le Palatin  
3, cours du Triangle  
92939 Paris La Défense

France

**Cailliau Dedouit et Associés**

19, rue Clément Marot  
75008 Paris

France

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