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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.]



Par et pour
les collectivités

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

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*), the *établissements publics de coopération intercommunale à fiscalité propre* and the *établissements publics territoriaux* mentioned in article L.5219-2 of the French *Code général des collectivités territoriales* which have completed the membership process and have consequently become shareholders of ST (the **Members**), equal to the outstanding amount of the loans of an initial term of more than 364 days 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 Guarantors and the Guarantee mechanism".

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.17-170 dated 21 April 2017.

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 Aa3 rating with a stable outlook by Moody's France SAS (**Moody's**). The Programme has an Aa3 rating assigned by Moody's. 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 (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) 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) 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 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.

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 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 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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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

| Elements | |
|--|---|
| <p>A.1</p> <p>General disclaimer regarding the summary</p> | <p>This summary should be read as an introduction to the base prospectus dated 21 April 2017, which received visa No.17-170 from the <i>Autorité des marchés financiers</i> (the AMF) on 21 April 2017 (the Base Prospectus) relating to the Medium Term Note Programme (the Programme) of Agence France Locale (the Issuer or Agence France Locale).</p> <p>Any decision to invest in notes issued under the Programme (the Notes) should be based on consideration by any investor of the Base Prospectus as a whole, including any related supplement and the final terms (the Final Terms) relating to tranches of the relevant Notes (together, the Prospectus).</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 (EEA), 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>A.2</p> <p>Information regarding consent by the Issuer to the</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 Public Offer), the Issuer consents to the use of the Base Prospectus (as amended, if appropriate by a supplement) and Final Terms (together, the Prospectus) in connection with such Public Offer of Notes during the offer period (the Offer Period) and in France or in Luxembourg, as specified in the relevant Final Terms;</p> |

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| <p>use of the Prospectus</p> | <p>(1) by any duly authorised financial intermediary mentioned in the relevant Final Terms (each an Authorised Institution); or</p> <p>(2) if so specified in the relevant Final Terms, by any financial intermediary provided:</p> <p>(a) it acts in accordance with all applicable laws, rules, regulations and recommendations of any relevant authority (the Rules), including, in particular and in each case, the Rules relating both to the appropriateness or usefulness of any investment in the Notes by any person and to disclosure to any potential investor; (b) it complies with the restrictions set out in the “Subscription and Sale” section of this Base Prospectus which apply in the same way as to a dealer under the Programme (the Dealers); (c) it ensures that all fees (and any commission or other benefit of any kind) received or paid by such financial intermediary as a result of the offer or transfer of Notes are fully and clearly communicated to the investors or potential investors; (d) it has all the necessary licences, authorisations, approvals and agreements for the solicitation, or the offer or transfer of the Notes, pursuant to the Rules; (e) it retains the files on the identification of investors at least for the minimum period required by the applicable Rules and, upon request, makes such files available to the relevant Dealer(s), the Issuer and the Guarantors or makes them directly available to the relevant authorities for the purposes of the Issuer and/or the Guarantors and/or the relevant Dealer(s) to allow the Issuer and/or the Guarantors and/or the relevant Dealer(s) to comply with the anti-money laundering, anti-corruption, and KYC Rules applicable to the Issuer and/or the Guarantors and/or the relevant Dealer(s); (f) its involvement does not, directly or indirectly, result in the violation of a Rule by the Issuer or the Guarantor or the relevant Dealer(s) or does not oblige the Issuer or the Guarantor or the relevant Dealer(s) to make a filing, or obtain an authorisation or agreement in any jurisdiction; and (g) its involvement meets all other conditions specified in the relevant Final Terms (in each case an Authorised Establishment). To avoid any ambiguity, neither the Dealers nor the Issuer nor the Guarantors shall be obliged to ensure that an Authorised Establishment is acting in accordance with all applicable laws, regulations and/or recommendations and, consequently, neither the Dealers nor the Issuer nor the Guarantors shall be held liable in such regard.</p> <p>If so specified in the relevant Final Terms, the Issuer accepts liability, in France and/or Luxembourg, for the content of the Prospectus for the purposes of any person (an Investor) located in France and/or Luxembourg, to whom an offer of Notes is made by the Authorised Establishment, from when the offer is made and during the Offer Period for which consent is granted. However, neither the Issuer, nor any of the Guarantors nor any Dealer is liable for the actions of any Authorised Establishment, including with regard to compliance with rules of business conduct applicable to the Authorised Establishment or to other local regulations or other legal obligations on financial instruments related to such an offer which apply to the Authorised Establishment.</p> <p>The above consent applies during Offer Periods (if applicable) arising within 12 months following the date of the AMF visa granted for the Base Prospectus.</p> <p>Any Investor intending to acquire or who has acquired Notes from an Authorised Establishment, shall do so, and offers and transfers of Notes by an Authorised Establishment to an Investor shall be made, in compliance with any conditions or other agreements in place between the relevant Authorised Establishment and Investor including with regard to price, distribution, settlement-delivery agreements and any expenses or taxes to be charged to the Investor (the Terms of the Public Offer). The Issuer and the Guarantors shall not be party to such agreements with the Investors (other than the Dealers) in the context of the offer or transfer of</p> |
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| | <p>the Notes and, consequently, this Base Prospectus and all Final Terms shall not include such information. The Terms of the Public Offer shall be communicated to the Investors by the Authorised Establishment at the time of the Public Offer. Neither the Issuer nor the Guarantors nor any of the Dealers of Authorised Establishments shall be liable for such information or for the consequences of its use by the relevant Investors.</p> |
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SECTION B – ISSUER AND GUARANTORS

| Element | |
|---|--|
| <p>B.1</p> <p>The Legal and commercial name of the Issuer</p> | <p>Agence France Locale (the Issuer)</p> |
| <p>B.2</p> <p>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation</p> | <p>Issuer:</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 Law of 26 July 2013).</p> <p>The Issuer registered office is located Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon.</p> |
| <p>B.4 b</p> <p>A description of any known trends affecting the Issuer and the activities in which it operates</p> | <p>Issuer:</p> <p>The Issuer has identified certain developments likely to have an impact on its business:</p> <ul style="list-style-type: none"> - following a freeze in the value of financial support paid by the State to Local Authorities between 2012 and 2017 by the law dated 31 December 2012 on planned public funding from 2012 to 2017, such financial support fell by 1.5 billion euros in financial year 2014 pursuant to the Finance Act dated 29 December 2013. The law dated 29 December 2014 on planned public funding for 2014 to 2019 confirmed the contraction of State financial support as part of Local Authorities’ contribution to efforts to improve public accounts by 3.67 billion euros for 2015, 2016 and 2017. The Government therefore planned an overall reduction in endowments of 11 billion euros between 2015 and 2017. This amount was reduced to 10 billion euros after the adoption of the Finance Act 2017 n° 2016-1917 dated 29 December 2016 which provides for the halving of the effort required of communes and EPCI with autonomous taxation powers, resulting in a decrease in the contribution by the “commune bloc” towards the restoration of the public coffers in 2017 of around 1 billion euros. The global operating endowment (DGF) paid in 2017 should be of around 30 billion euros (compared to around 40.5 billion euros in 2013); |

- various legislative texts have led to significant institutional change in the local public sector (law no. 2014-58 dated 27 January 2014 *relating to the modernisation of territorial public action and affirmation of metropolitan areas* (the **MAPTAM Law**), law no. 2015-991 dated 7 August 2015 *on the new territorial organisation of the Republic* (the **NOTRe Law**) and the law on new communes, etc.);

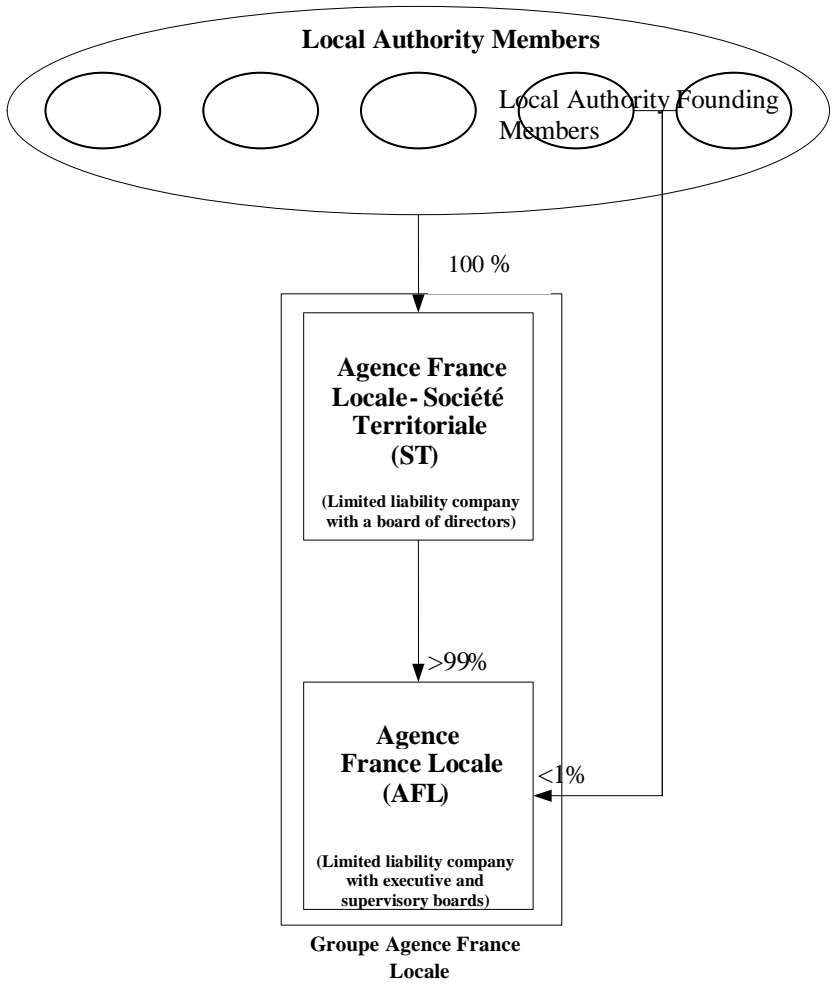
- following a recovery in the local authority debt market in 2015 which reached 17.6 billion euros¹, the level is expected to be around 16 billion euros in 2016. The use of the debt markets should increase in 2017 and 2018 to reach an amount of around 18 billion euros².

B.5

Description of the Issuer's Group and the Issuer's position within the Group

Issuer:

The structure of Agence France Locale group (the “**Agence France Locale Group**”) is as follows:



¹ Source : Local financing observatory “*Local authority finances in 2016 – Situation report*”, July 2016, p. 58 : http://www.collectivites-locales.gouv.fr/files/files/ofl_2016.pdf.

² Source : Standard & Poor’s, “*French local authorities: new era of investment?*”, 20 February 2017, p.3

Almost the entire share capital (99.99%) and voting rights of Agence France Locale are held by ST, the balance (which represents 10 shares) is divided between the 10 founding Members (as defined below) of ST (the “**Founding Members**”), in order to comply with the requirements of Article L.225-1 of the French *Code de commerce*, which stipulated at the date of incorporation of the Issuer, that the number of shareholders of a *Société Anonyme* could not be less than seven at the date of incorporation of the company. The members of the ST Board of Directors appointed at the time of its incorporation are the Founding Members which represent ST before the other local authority members of the Agence France Locale Group and third party Local Authorities.

In order to take into account the joint recommendations of AFL’s Supervisory Board and ST’s Board of Directors on changes in the Agence France Locale Group’s governance, in accordance with the new provisions of article L.225-1 of the Commercial Code, and pursuant to clause 15 of the Agence France Locale Group shareholders’ agreement signed on 24 June 2014 between the Issuer, ST and the Members, the principle of the sale of the single share held by each of the Founding Members to ST, other than the *Métropole de Lyon*, was ratified.

Once all of these sales have completed, which is due to take place by no later than the end of the current financial year, ST will have control of the Issuer to an extent that will enable it to benefit from the provisions of article L.225-87 of the Commercial Code and the agreements entered into between the Issuer and ST will accordingly fall outside the scope of the related party transaction regulations.

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.

To the extent that, in accordance with the provisions of Article L.1611-3-2 of the French *Code des collectivités territoriales* (the **CGCT**), the right to be granted credits by the Issuer is subject to being a Member, the number of shareholders of ST is intended to increase with the development of the Agence France Locale group.

A Local Authority becomes a Member pursuant to an accession deliberation, which authorises the payment of an initial capital contribution (ICC) to ST as part of one or more increases of ST’s share capital.

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.

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.

At the date of this Base Prospectus, the share capital of ST is held by 183 local authorities, none of whom hold more than 10% of the share capital, with the exception of three Members. These are the *Métropole Aix-Marseille-Provence*, the *Métropole de Lyon*, and the *Commune de Marseille*, whose respective holdings should eventually fall under the threshold of 10% by virtue of future accessions of new Members to the Agence France Locale Group.

“**Member**” means the local authorities, the tax-raising establishments for inter-municipal cooperation, together with the public territorial institutions mentioned in article L. 5219-2 of the CGCT (the **Local Authorities**) having completed the procedure to join Agence France Locale Group and that have therefore become shareholders in ST.

List of Local Authority Members at the date of this Base Prospectus

| | |
|-----|---|
| 1. | Métropole Aix Marseille Provence |
| 2. | Métropole de Lyon |
| 3. | Commune de Marseille |
| 4. | Région Pays de la Loire |
| 5. | Département de l'Essonne |
| 6. | Métropole européenne de Lille |
| 7. | Collectivité d'Outre-Mer de Polynésie Française |
| 8. | Métropole Nantes Métropole |
| 9. | Métropole du Grand Nancy |
| 10. | Métropole Bordeaux Métropole |
| 11. | Département de l'Aisne |
| 12. | Métropole Toulouse Métropole |
| 13. | Métropole Eurométropole de Strasbourg |
| 14. | Département de la Savoie |
| 15. | Etablissement public territorial Plaine Commune |
| 16. | Commune de Grenoble |
| 17. | Commune de Nantes |
| 18. | Communauté urbaine Dunkerque Grand Littoral |
| 19. | Commune de Montreuil |
| 20. | Métropole Brest Métropole |
| 21. | Commune de Bordeaux |
| 22. | Commune de Clermont-Ferrand |
| 23. | Département de la Meuse |
| 24. | Communauté d'agglomération Amiens Métropole |
| 25. | Métropole Rouen Normandie |
| 26. | Communauté urbaine Clermont Auvergne Métropole |
| 27. | Commune d'Amiens |
| 28. | Commune de Saint-Denis |
| 29. | Commune de Créteil |
| 30. | Communauté d'agglomération Chambéry Métropole - Cœur des Bauges |
| 31. | Commune d'Evreux |
| 32. | Commune de Brest |
| 33. | Commune de Pau |
| 34. | Commune de Cherbourg-en-Cotentin |
| 35. | Communauté urbaine du Creusot Montceau |
| 36. | Département de l'Ariège |
| 37. | Communauté d'agglomération Valenciennes Métropole |

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| 38. | Commune de Mâcon |
| 39. | Commune de Gennevilliers |
| 40. | Commune de Metz |
| 41. | Communauté d'agglomération Pau Bearn Pyrénées |
| 42. | Communauté d'agglomération du Grand Besançon |
| 43. | Commune de Saumur |
| 44. | Commune de Villeurbanne |
| 45. | Commune de Roquebrune-sur-Argens |
| 46. | Commune de Vincennes |
| 47. | Commune de Bourgoin-Jallieu |
| 48. | Communauté d'agglomération Grand Poitiers |
| 49. | Commune de Gonesse |
| 50. | Communauté urbaine d'Arras |
| 51. | Commune de Vernon |
| 52. | Commune de Saint-Nazaire |
| 53. | Etablissement public territorial Est Ensemble |
| 54. | Communauté de communes Moselle et Madon |
| 55. | Communauté d'agglomération Annemasse-Les Voirons Agglomération |
| 56. | Commune de Lons-le-Saunier |
| 57. | Commune de Nogent-sur-Marne |
| 58. | Commune de Balaruc-les-Bains |
| 59. | Commune de Noyon |
| 60. | Communauté urbaine d'Alençon |
| 61. | Commune de Croix |
| 62. | Communauté d'agglomération Le Grand Périgueux |
| 63. | Commune de Livry-Gargan |
| 64. | Communauté de communes de la Région de Guebwiller |
| 65. | Commune de Pertuis |
| 66. | Communauté d'agglomération du Bassin de Thau |
| 67. | Commune d'Oloron Sainte-Marie |
| 68. | Commune de Brunoy |
| 69. | Commune de Rezé |
| 70. | Commune de Saint-Hilaire-de-Riez |
| 71. | Commune du Bouscat |
| 72. | Communauté d'agglomération Morlaix Communauté |
| 73. | Communauté de communes du Pays Noyonnais |
| 74. | Commune de Bry-sur-Marne |
| 75. | Commune d'Alençon |
| 76. | Commune de Waziers |
| 77. | Collectivité d'Outre-Mer de Saint-Pierre-et-Miquelon |
| 78. | Communauté d'agglomération du Val de Fensch |
| 79. | Commune de Lannion |
| 80. | Commune de Domérat |
| 81. | Commune de La Motte-Servolex |
| 82. | Etablissement public territorial Paris-Est-Marne et Bois |

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| 83. | Communauté d'agglomération de Blois-Agglopolys |
| 84. | Commune de Saint-Brice-sous-Forêt |
| 85. | Commune de Bourg-Argental |
| 86. | Communauté de communes Pévèle Carembault |
| 87. | Commune de Vendôme |
| 88. | Commune de Combloux |
| 89. | Commune de Loireauxence |
| 90. | Commune d'Ancenis |
| 91. | Commune de Wittenheim |
| 92. | Commune de Saint-Saulve |
| 93. | Commune de Plouzané |
| 94. | Communauté de communes du Bassin de Pompey |
| 95. | Commune d'Huningue |
| 96. | Communauté de communes du Pays Mornantais |
| 97. | Commune de Longvic |
| 98. | Commune de Pont d'Ain |
| 99. | Commune de Saint-Jean-Bonnefonds |
| 100. | Communauté de communes du Pays de Conches |
| 101. | Communauté de communes du Pont du Gard |
| 102. | Commune de Condom |
| 103. | Communauté d'agglomération Val Parisis |
| 104. | Communauté de communes des Coteaux du Girou |
| 105. | Commune de Roquefort-sur-Soulzon |
| 106. | Commune de Saint-Avé |
| 107. | Communauté de communes du Sundgau |
| 108. | Commune de Morhange |
| 109. | Communauté de communes du Warndt |
| 110. | Communauté de communes Rives de l'Ain - Pays du Cerdon |
| 111. | Commune de Roquemaure |
| 112. | Commune de Guéthary |
| 113. | Commune de Bagnères-de-Luchon |
| 114. | Commune d'Aussonne |
| 115. | Communauté de communes Ardenne Rives de Meuse |
| 116. | Commune d'Anzin |
| 117. | Communauté de communes de la Vallée du Garon |
| 118. | Commune de Pollestres |
| 119. | Commune d'Etrembières |
| 120. | Commune de Beaucouzé |
| 121. | Etablissement public territorial Grand-Orly Seine Bièvre |
| 122. | Commune de Bourg-Saint-Andéol |
| 123. | Commune de La Mulatière |
| 124. | Communauté de communes du Quercy-Caussadais |
| 125. | Commune d'Aulnoy-lez-Valenciennes |
| 126. | Commune de Lesneven |
| 127. | Communauté de communes du Rhône aux Gorges de l'Ardèche |

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| 128. | Communauté de communes de l'Huisne Sartoise |
| 129. | Commune de Cysoing |
| 130. | Communauté de communes Roumois Seine |
| 131. | Commune de Les Sorinières |
| 132. | Commune de Saint Martin de Seignanx |
| 133. | Commune de Gidy |
| 134. | Communauté de communes Adour Madiran |
| 135. | Commune d'Usson-en-Forez |
| 136. | Commune d'Aubrives |
| 137. | Communauté de communes de la Plaine du Nord Loiret |
| 138. | Commune d'Attiches |
| 139. | Commune de Giberville |
| 140. | Commune de Genech |
| 141. | Commune de Gonfaron |
| 142. | Commune de Saint-Just-d'Ardèche |
| 143. | Commune de Plouvorn |
| 144. | Commune de Plailly |
| 145. | Commune de Saint-Sauveur-en-Rue |
| 146. | Commune de Saint-Augustin-des-Bois |
| 147. | Commune de La Feuillie |
| 148. | Commune de Saulzoir |
| 149. | Commune de Richardménil |
| 150. | Commune de Flourens |
| 151. | Commune de Vitrac |
| 152. | Commune de Boën-sur-Lignon |
| 153. | Commune du Pont de Beauvoisin |
| 154. | Commune de Beynac et Cazenac |
| 155. | Commune de Les Voivres |
| 156. | Commune de Pujo |
| 157. | Communauté d'Agglomération d'Epinal |
| 158. | Commune de Saint-Pierre-du-Bosguérard |
| 159. | Commune de Peyrignac |
| 160. | Commune de Saint-Pierre-des-Fleurs |
| 161. | Commune de Pontaurmur |
| 162. | Commune de Thil |
| 163. | Commune de Grandvilliers |
| 164. | Commune de Sainte-Euphémie |
| 165. | Commune de Peujard |
| 166. | Commune de Saily-Lez-Lannoy |
| 167. | Commune de Conches-en-Ouche |
| 168. | Commune de Vénéjan |
| 169. | Commune de Roquesérière |
| 170. | Commune de Bernay-Vilbert |
| 171. | Commune de Teilhède |
| 172. | Commune de Monacia d'Aullène |

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| | | 173. Commune de Chirols | |
| | | 174. Commune de Puy-Saint-Gulmier | |
| | | 175. Commune de Le Ferré | |
| | | 176. Commune de Collonges-les-Premières | |
| | | 177. Commune d'Izier | |
| | | 178. Commune du Thuit-de-l'Oison | |
| | | 179. Commune de Saint-Maurin | |
| | | 180. Commune d'Epieds | |
| | | 181. Commune de Cressy-sur-Somme | |
| | | 182. Commune de Tart-l'Abbaye | |
| | | 183. Commune de Grosbois-en-Montagne | |
| B.9 | Issuer: | | |
| Profit forecast or estimate | Based on the assumptions on which it built its business plan, the Issuer has established the following projections for the next two years. | | |
| | The forecasts set out below were established according to IFRS standards. | | |
| | – Consolidated balance sheet: 2017-2018 objectives (in millions of euros) | | |
| | | 2017 | 2018 |
| | Customer loans and receivables | 1 360 | 1 910 |
| | Liquidity reserve | 856 | 855 |
| | Other assets | 39 | 41 |
| | Total assets | 2 255 | 2 807 |
| | Debts – represented by a security | 2 150 | 2 700 |
| | Other liabilities | 10 | 10 |
| | Equity | 95 | 97 |
| | Total Liabilities and Equity | 2 255 | 2 807 |
| | Components of profit elements: 2017-2018 objectives (in millions of euros) | | |
| | | 2017 | 2018 |
| | Net banking income | 6.3 | 9.1 |
| | Gross operating profit | -5.1 | -2.8 |
| B.10 | Issuer: | | |

| Qualifications in the auditors' report | The Auditors' reports on the Issuer's accounts for the years ended 31 December 2015 and 31 December 2016 contain no qualifications. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------|------------------|------------------|--------------------------------|---------|---------|--------------------|---------|---------|-------|--------|--------|---------------------|----------------|------------------|---------------------------------|---------|-----------|-------|--------|--------|------------------|---------------|---------------|--|----------------|------------------|--|------------------|------------------|---------------------------|-----|-------|-------------------------------|---------|--------|-------------------|---------------|---------------|
| B.12 Selected historical key financial information | <p>Issuer:</p> <p>The information set out below is based on the Issuer's restated IFRS annual financial statements. However, only the Issuer's annual financial statements prepared in accordance with French standards have legal value. The annual financial statements prepared in accordance with French standards and the auditors' reports thereon are incorporated by reference in this Base Prospectus.</p> <p>– Consolidated balance sheet on 31 December 2015 and 2016 (in thousands of Euros)</p> <table border="1" data-bbox="384 779 1355 1144"> <thead> <tr> <th></th> <th>31 December 2015</th> <th>31 December 2016</th> </tr> </thead> <tbody> <tr> <td>Customer loans and receivables</td> <td>383 527</td> <td>892 227</td> </tr> <tr> <td>Liquidity reserves</td> <td>502 479</td> <td>435 422</td> </tr> <tr> <td>Other</td> <td>31 584</td> <td>58 120</td> </tr> <tr> <td>Total assets</td> <td>917 590</td> <td>1 385 769</td> </tr> <tr> <td>Debts represented by a security</td> <td>840 537</td> <td>1 259 073</td> </tr> <tr> <td>Other</td> <td>15 009</td> <td>33 167</td> </tr> <tr> <td>Own funds</td> <td>62 046</td> <td>93 529</td> </tr> <tr> <td>Total liabilities and shareholders equity</td> <td>917 590</td> <td>1 385 769</td> </tr> </tbody> </table> <p>– Components of profit elements on 31 December 2015 and 2016 (in thousands of Euros)</p> <table border="1" data-bbox="384 1377 1414 1653"> <thead> <tr> <th></th> <th>31 December 2015</th> <th>31 December 2016</th> </tr> </thead> <tbody> <tr> <td>Net banking income</td> <td>361</td> <td>9 220</td> </tr> <tr> <td>Gross operating profit</td> <td>-10 995</td> <td>-2 121</td> </tr> <tr> <td>Net Income</td> <td>-7 777</td> <td>-3 365</td> </tr> </tbody> </table> <p>The negative income for the year ended 31 December 2015 is based on two factors: (i) the fact that the Issuer launched its lending activity in April, following its first bond issuance, and that most of the lending was focused in the final quarter, resulting in low income over the financial year; and (ii) the continuing establishment of banking infrastructure to allow Agence France Locale to manage its operations in accordance with regulations in force.</p> <p>The negative result for the financial year ended 31 December 2016 can be explained by the significant increase in net banking income, which is still insufficient to achieve balance in view of the continued deployment of the infrastructure required to conduct all</p> | | 31 December 2015 | 31 December 2016 | Customer loans and receivables | 383 527 | 892 227 | Liquidity reserves | 502 479 | 435 422 | Other | 31 584 | 58 120 | Total assets | 917 590 | 1 385 769 | Debts represented by a security | 840 537 | 1 259 073 | Other | 15 009 | 33 167 | Own funds | 62 046 | 93 529 | Total liabilities and shareholders equity | 917 590 | 1 385 769 | | 31 December 2015 | 31 December 2016 | Net banking income | 361 | 9 220 | Gross operating profit | -10 995 | -2 121 | Net Income | -7 777 | -3 365 |
| | 31 December 2015 | 31 December 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Customer loans and receivables | 383 527 | 892 227 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Liquidity reserves | 502 479 | 435 422 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 31 584 | 58 120 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 917 590 | 1 385 769 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debts represented by a security | 840 537 | 1 259 073 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 15 009 | 33 167 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Own funds | 62 046 | 93 529 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total liabilities and shareholders equity | 917 590 | 1 385 769 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 31 December 2015 | 31 December 2016 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net banking income | 361 | 9 220 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross operating profit | -10 995 | -2 121 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Income | -7 777 | -3 365 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>banking and financial transactions. This increase in net banking income is mainly due to the following factors: (i) the increase in income from the increase in outstanding loans, (ii) an extraordinary capital gain of 3 million euros from the sale of securities originally classified as investment securities and which have been reclassified as marketable securities after Agence France Locale decided to change the application of its own funds in December 2015, and (iii) capital gains relating to the disposal of liquidity reserve securities in connection with the management of this portfolio.</p> <p>At the date of this Base Prospectus, there has been no material change in the financial or commercial situation of the Issuer since 31 December 2016 and there has been no material adverse change in the prospects of the Issuer since 31 December 2016.</p> |
| <p>B.13</p> <p>Recent events relating to the Issuer of significant interest for the assessment of its credit-worthiness</p> | <p>Issuer:</p> <p>At the date of this Base Prospectus, there are no recent events relating to the Issuer of significant interest for the assessment of its creditworthiness.</p> <p>However, on 6 March 2017, the Issuer completed a twelfth capital increase which resulted in a capital increase of 16.5 million euros, bringing its share capital to 127.5 million euros.</p> |
| <p>B.14</p> <p>Extent to which the Issuer is dependent upon other entities within the Group</p> | <p>Issuer:</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.15</p> <p>Principal activities of the Issuer</p> | <p>Issuer:</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.16</p> <p>Extent to which the Issuer is directly or indirectly owned or controlled</p> | <p>Issuer:</p> <p>Please refer to items B.5 and B. 14 above.</p> |

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| <p>B.17</p> <p>Credit ratings assigned to the Issuer or its debt securities</p> | <p>Issuer:</p> <p>On 23 September 2015, the Issuer was assigned a rating of Aa3 by Moody’s France SAS (Moody’s), with a stable outlook. This rating was confirmed by Moody’s on 7 November 2016.</p> <p>The Programme was assigned a rating of Aa3 by Moody’s.</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 CRA Regulation) and is included on the list of credit rating agencies published on the European Financial Markets Authority website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation.</p> |
| <p>B. 18</p> <p>Nature and purpose of the Guarantees</p> | <p>The concept of “beneficiaries” used herein (the Beneficiaries) 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 (as defined in paragraph C.8) and/or the Member Guarantee (as defined in paragraph C.8).</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> <p>ST Guarantee:</p> <p>ST provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> – the ST Guarantee is a first demand guarantee; – each issue of notes (including the Notes issued under the Programme) and/or financial commitments (such as banking facilities and hedging transactions) by the Issuer, benefitting from the ST Guarantee, gives rise to the grant of a guarantee, known as a “<i>Statement of Guarantee</i>”. This specifies the maximum amount guaranteed under such issue or financial commitment (the Individual Ceiling). The Individual Ceiling for each Tranche of Notes issued under the Programme is specified in the Final Terms for the relevant issue and is equal at least to the total amount of such issue; – the sum of the Individual Ceilings represents an amount which is at least equal to the total of the funds raised by the Issuer on the capital markets through any means (Notes issued under the Programme and notes issued under the Issuer’s euro commercial paper programme) and other financial commitments (such as banking facilities and hedging transactions, that the Issuer has taken out and both of which benefit from the ST Guarantee. The total amount guaranteed |

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| | <p>under the ST Guarantee, corresponding as a maximum to the sum of the Individual Ceilings, was initially set at 3,500,000,000 euros. Due to the Issuer’s financial activities, this ceiling was increased to 5,000,000,000 euros on 16 February 2017;</p> <p>The ST Guarantee 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 ST Guarantee, which are intended to be the same as the beneficiaries of the Member Guarantees; and</p> <p>The use by a Beneficiary, the representative of the Beneficiaries or by the Issuer of the ST Guarantee must comply with the form and timing requirements specified in such guarantee, failing which it will be void.</p> <p>Member Guarantees</p> <p>Each Member who has subscribed for a loan of an initial duration of more than 364 days (a Medium-Long Term Loan) with the Issuer provides a guarantee based on the following principles:</p> <ul style="list-style-type: none"> – the Member Guarantee is a first demand guarantee; – the maximum amount guaranteed per Member under the Member Guarantee is at all times equal to the amount of Medium-Long Term Loans granted by the Issuer to such Member, – the Member Guarantee is for the benefit of the Beneficiaries. These Beneficiaries include the holders of securities or the contracting parties to all contracts entered into by the Issuer stating that such securities or contracts benefit from the Member Guarantee; such guarantee is intended as such to benefit all holders of Notes issued under the Programme; and – the use, by a Beneficiary, the representative of Beneficiaries or by ST of the Member Guarantee must comply with the form and timing requirements specified in such guarantee, failing which it will be void; <p>To keep the Beneficiaries fully informed, the outstanding Medium-Long Term Loans of each Member <i>vis-à-vis</i> the Issuer, and consequently, the maximum amount of their guarantee, is published on each Business Day (as defined in the model Member Guarantee) on the Website of the Issuer (www.agence-france-locale.fr).</p> |
| <p>B. 19</p> <p>Information on Guarantors</p> | |
| <p>B. 19/B.1</p> <p>The Legal and commercial name of the Guarantor</p> | <p>ST:</p> <p>Agence France Locale – Société Territoriale (ST)</p> |
| <p>B.19/B.2</p> | <p>ST:</p> |

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|---|---|--|-------------------------|-------------------------|
| <p>The domicile and legal form of the Guarantor, the legislation under which the Guarantor operates and its country of incorporation</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> | | | |
| <p>B.19/B.4b</p> <p>A description of any known trends affecting the Guarantor and the activities in which it operates</p> | <p>ST:</p> <p>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.</p> | | | |
| <p>B.19/B.5</p> <p>Description of the Guarantor’s Group and the Guarantor’s position within the Group</p> | <p>ST:</p> <p>Please refer to item B.5 above.</p> | | | |
| <p>B.19/B.9</p> <p>Profit forecast or estimate</p> | <p>ST:</p> <p>No forecast or profit estimate has been made in the Base Prospectus in relation to ST.</p> | | | |
| <p>B.5/B.10</p> <p>Qualifications in the auditors’ report</p> | <p>ST:</p> <p>The Auditors’ reports on ST’s accounts for the years ended 31 December 2015 and 31 December 2016 contain no qualifications.</p> | | | |
| <p>B.19/B.12</p> <p>Selected historical key financial information</p> | <p>ST:</p> <p>The figures in the tables below are taken from the IFRS consolidated financial statements of the ST.</p> <p>Consolidated balance sheet as at 31 December 2015 and 31 December 2016 (in thousands of Euros):</p> <table border="1" data-bbox="790 1980 1334 2042"> <tr> <td data-bbox="790 1980 1072 2042">31 December 2015</td> <td data-bbox="1072 1980 1334 2042">31 December 2016</td> </tr> </table> | | 31 December 2015 | 31 December 2016 |
| 31 December 2015 | 31 December 2016 | | | |

| | | |
|-------------------------------------|----------------|------------------|
| Customer loans and receivables | 383 527 | 892 227 |
| Liquidity reserve | 506 243 | 440 629 |
| Others | 31 617 | 58 147 |
| Total assets | 921 387 | 1 391 003 |
| Debts represented by a security | 840 537 | 1 259 073 |
| Others | 15 650 | 33 412 |
| Equity | 65 200 | 98 518 |
| Total Liabilities and Equity | 921 387 | 1 391 003 |

- Components of profit elements on 31 December 2015 and 2016 (in thousands of Euros)

| | 31 December 2015 | 31 December 2016 |
|-------------------------------|-------------------------|-------------------------|
| Net banking income | 408 | 9 254 |
| Gross operating profit | -10 894 | -2 105 |

The main asset on ST's balance sheet is its 99.9% holding in the Issuer. Consequently, the negative results posted by ST for the 2015 and 2016 financial years are caused by the same factors which explain the Issuer's negative results for these years.

The negative income for the year ended 31 December 2015 is based mainly on two factors: (i) the fact that the Issuer launched its lending activity in April, following its first bond issuance, and that most of the lending was focused in the final quarter, resulting in low income over the financial year; and (ii) the continuing establishment of banking infrastructure to allow Agence France Locale to manage its operations in accordance with regulations in force.

The negative result for the financial year ended 31 December 2016 can be explained by the significant increase in net banking income, which is still insufficient to achieve balance in view of the continued deployment of the infrastructure required to conduct all banking and financial transactions. This increase in net banking income is mainly due to the following factors: (i) the increase in income from the increase in outstanding loans, (ii) an extraordinary capital gain of 3 million euros from the sale of securities originally classified as investment securities and which have been reclassified as marketable securities after Agence France Locale decided to change the application of its own funds in December 2015, and (iii) capital gains relating to the disposal of liquidity reserve securities in connection with the management of this portfolio.

At the date of this Base Prospectus, there has been no material change in the financial or commercial situation of ST since 31 December 2016 and there has been no material adverse change in the prospects of ST since 31 December 2016.

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| <p>B.19/B.13</p> <p>Recent events relating to the Guarantor of significant interest for the assessment of creditworthiness</p> | <p>ST:</p> <p>At the date of this Base Prospectus, there are no recent events relating to ST of significant interest for the assessment of its creditworthiness.</p> <p>On 6 March 2017, the ST completed a twelfth capital increase which resulted in a capital increase of 17.327 million euros, bringing it to 133.218 million euros.</p> |
| <p>B.19/B.14</p> <p>Extent to which the Guarantor is dependent upon other entities within the Group</p> | <p>ST:</p> <p>Please refer to item B.14 above.</p> |
| <p>B.19/B.15</p> <p>Principal activities of the Guarantor</p> | <p>ST:</p> <p>ST has a financial holding company activity, principally consisting of:</p> <ul style="list-style-type: none"> – the holding of its interest in the share capital of the Issuer; – the setting of the accession procedure for local authorities to join Agence France Locale Group, whose administration is assigned to the Issuer; – the possession and use of the words and figurative trademarks of Agence France Locale group; and – if the ST Guarantee or Member Guarantees are called, the monitoring of the implementation of the Guarantee mechanism. |
| <p>B.19/B.16</p> <p>Extent to which the Guarantor is directly or indirectly owned or controlled</p> | <p>ST:</p> <p>Please refer to items B.5 and B. 14 above.</p> |
| <p>B.19/B.17</p> <p>Credit ratings assigned to the Issuer or its debt securities</p> | <p>ST:</p> <p>ST has not been assigned a rating.</p> |
| <p>B.19/B.47</p> <p>Description of</p> | <p>Member Guarantors:</p> <p>Each Member which has subscribed for a Medium-Long Term Loan with the Issuer</p> |

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| <p>Members subscribing a loan with the Issuer</p> | <p>must provide a Member Guarantee.</p> <p>At the date of this Base Prospectus, 114 Members have subscribed for a Medium-Long Term Loan with the Issuer. Upon each issue of Notes, an updated list of Members having subscribed for a Medium-Long Term 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 (www.agence-france-locale.fr).</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 tax-raising EPCI (<i>Établissement public de coopération intercommunale</i>) (<i>métropoles, communautés urbaines, communautés d'agglomération, communautés de communes or établissement publics territoriaux</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"> - The <i>Communes</i> <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 style="padding-left: 40px;">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 style="padding-left: 40px;">On 1 January 2017, France had 35,416 <i>communes</i>.</p> <ul style="list-style-type: none"> - The <i>départements</i> <p style="padding-left: 40px;">Until 2015, the <i>départements</i> were the main recipients of the competence transfers carried out since 1982. The responsibilities and competences of the <i>départements</i> arose 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 style="padding-left: 40px;">In the area of roads and transport, the NOTRe Law transferred powers to the <i>régions</i>. The law provides that local railways managed by the <i>départements</i> for the purposes of transport, of goods or persons, shall be transferred to the regions within 18 months following the enactment of the law. Departmental roads remain under the remit of the <i>départements</i>, contrary to what had been provided in the initial draft.</p> |
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The establishment of the *Métropole du Grand Paris* and the *métropole d'Aix-Marseille-Provence* has also affected departmental powers. With regard to the *Métropole du Grand Paris*, subject to the signing of an agreement with the *département*, “within its own territory, the *Métropole* exercises, either by transfer, in place of the *département*, or by delegation, on behalf of the *département*, all or part of the groups of powers”. The powers addressed by the NOTRe Law include: the allocation of assistance for housing solidarity benefit, areas of social work entrusted to the departmental services, adoption, adaptation and implementation of the departmental integration programme, assistance to disadvantaged young people and specialist prevention services for disadvantaged young people and families, social assistance for the elderly, construction, reconstruction, planning, maintenance and operation of secondary schools, and management of departmental public roads and their adjoining roads.

On 1 January 2017, France had 99 *départements métropolitains* including the three *départements d'outre-mer*.

– The *régions*

Since the passing of the decentralisation laws, *régions'* responsibilities are mainly concentrated in the areas of transport, vocational training and economic action. The *régions* also exercise competences relating to regional development, planning, education, vocational training, culture and the health sector.

In addition, the NOTRe Law transferred powers in the areas of mobility, transports and roads to the *régions*. The *région* has also gained exclusive competency to define “assistance systems and to decide on the granting of assistance to companies in the *région*” as well as for the preparation of two major potential blueprints covering both sides of economic development: the regional blueprint for economic development and internationalisation (SRDEII) and the regional blueprint for planning, sustainable development and territorial equality (SRADDET).

On 1 January 2017, France had 18 *régions*.

– 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 *région* and some extended powers in some areas, including the protection of cultural heritage.

Then, the MAPTAM Law established 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, pursuant to article 35 of the Law dated 26 July 2013, may only belong to the category of *établissements publics territoriaux* and *établissements publics de coopération intercommunale à fiscalité propre*, which includes, at the date of this Base Prospectus, the *ordinary law métropoles*, the *Métropole du Grand Paris* (MGP) and the *Métropole Aix Marseille Provence*, the *communautés urbaines*, *communautés d'agglomération* and *communautés de communes*.

The NOTRe Law strengthens the extent of integration of *communautés de communes* and *communautés d'agglomération* by granting them new powers. Powers for *communautés urbaines* and *métropoles* were already bolstered by the MAPTAM Law. Indeed, the management of sites for travellers, the collection and processing of household and similar waste together with water and sanitation (from 1 January 2020 for the latter two areas whose had already been altered) are compulsory powers for *communautés de communes* and *communautés d'agglomération*.

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;

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| | <ul style="list-style-type: none"> – 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 only be authorised for a given service and a specific purpose. <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>The resources of Members</p> <p>The resources of Members are mainly composed of:</p> <ul style="list-style-type: none"> – tax revenue, the collection and use of which the law has delegated to Members; – 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; – ancillary revenues (fees paid by public service concession holders, rent, revenue related to public services, etc.). <p>Accounting control proceedings applicable to Members</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"> – as administrative acts, they are subject to the ordinary control of legality scrutinised by the State representative; – as budgetary acts, they are subject to special procedures for budgetary, judicial and management control performed by the CRC. |
| <p>B.48</p> <p>Situation of Public finances and foreign trade / significant change</p> | <p>Member Guarantors</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 (www.agence-france-locale.fr) 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

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| <p>C.1</p> <p>Nature, category and identification of the Notes</p> | <p>Notes shall be issued 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 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) shall be set forth in the relevant Final Terms.</p> <p>Notes may be issued either in the form of dematerialised notes (Dematerialised Notes) or in the form of materialised notes (Materialised Notes).</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 Specified Denomination(s)). Dematerialised Notes shall be issued in one Specified Denomination only.</p> <p>The International Securities Identification Number (ISIN) 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>C.2</p> <p>Currencies</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>C.5</p> <p>Description of any restriction imposed to the free transferability of the Notes</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>C.8</p> <p>Description of the rights attached to the Notes</p> | <p>The Notes issued within the Programme shall notably have the following terms:</p> <p><i>Status of the Notes</i></p> <p>Notes and, if relevant, their receipts for periodic payments of principal (Receipts) and interest coupons (Coupons), 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</p> |

unsecured obligations of the Issuer.

Negative pledge

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 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 guarantee granted by ST (the **ST Guarantee**) and the guarantees granted by Members who will have subscribed for Medium-Long Term Loans 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 (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.

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| | <p><i>Withholding tax</i></p> <p>All payments of principal or interest in respect of Notes, Receipts or Coupons 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 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 at source or deduction by reason of any kind of 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 at source or deduction, subject to various exceptions, described in the section "Terms of the Notes" of this Base Prospectus.</p> <p><i>Selling Restrictions</i></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.</p> <p>The Issuer falls within Category 1 for the purposes of Regulation S under the U.S. Securities Act of 1933, as amended.</p> <p><i>Governing law</i></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 in which the Issuer's head office is located.</p> |
| <p>C.9</p> <p>Interest, maturity date and terms of redemption, yield and representation of Noteholders</p> | <p><i>Commencement date</i></p> <p>The Notes shall bear interest from the date specified in the relevant Final Terms.</p> <p><i>Maturity date</i></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><i>Interest periods and interest rate</i></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, provided that under no circumstances may the interest rate be less than zero per cent (0%). 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><i>Fixed Rate Notes</i></p> <p>Fixed interest shall be payable in arrears on the date or dates for each period specified</p> |

in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes shall bear interest at the rate determined for each Series as follows:

- (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.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes bear interest at a rate (i) that the Issuer may elect to convert on the date specified in the relevant Final Terms from a Fixed Rate into a Floating Rate, or from a Floating Rate to a Fixed Rate, or (ii) that shall automatically convert from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate on 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

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| | <p>illegality.</p> <p>Yield</p> <p>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.</p> <p>Representation of Noteholders</p> <p>The Noteholders shall be represented as follows:</p> <ul style="list-style-type: none"> (a) if the relevant Final Terms specify "Full <i>Masse</i>", the Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a <i>Masse</i> and the provisions of the French <i>Code de commerce</i> relating to the <i>Masse</i> shall apply; and (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>The <i>Masse</i> will act in part through a representative (the Representative) 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> <p>For as long as the Notes are held by a single Noteholder, the relevant Noteholder shall exercise all of the powers delegated to the Representative and to the general meeting of the <i>Masse</i> by the Terms of the Notes. A Representative shall be appointed as soon as the Notes of a Series are held by more than one Noteholder.</p> |
| <p>C.10</p> <p>Derivative component in interest payments</p> | <p>Not applicable. The Notes issued under the Programme do not contain any derivative components.</p> |
| <p>C.11</p> <p>Listing and admission to trading</p> | <p>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.</p> |
| <p>C.21</p> <p>Trading Markets</p> | <p>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.</p> |

SECTION D – RISKS

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| <p>D.2</p> <p>Key information on the principal risks related to the Issuer</p> | <p>The Issuer is exposed to different kinds of risk. 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><u>Risks relating to the Issuer</u></p> <p><i><u>Risks relating to the Issuer, including its status and activity as a credit institution:</u></i></p> <ol style="list-style-type: none"> (1) Credit and concentration risk, due to the inability of counterparties to which the Issuer has granted a loan and other debtors of the Issuer to honour their financial commitments; in particular, Members, hedging contract counterparties and issuers of securities held in the Issuer's liquidity reserve; (2) Liquidity risk, including the risk of lack of liquidity, financing risk and liquidity price risk (3) interest rate risk; (4) exchange rate risk; (5) Operational risks of the Issuer, linked to failures of its processes, its human resources (including internal fraud), its information system, risks linked to external events (including external fraud), legal risk and non-compliance risk; (6) Risks relating to potentially ineffective insurance taken to cover the operational risks to which the Issuer is exposed; (7) Activity-related and strategic risk, which arises from the risk that the Issuer's expenses may exceed its income; (8) The risk of breach of prudential ratios on which the maintenance of the Issuer's authorisation as a specialised credit institution as granted by the <i>Autorité de contrôle prudentiel et de résolution (ACPR)</i> is conditional; (9) Economic model risk related to the fact that the Issuer operates for the exclusive benefit of Members and can only grant loans to such entities, without any opportunity to diversify whatever the circumstances; (10) The risk of membership numbers and its impact on own funds and therefore the Issuer's activity. <p><i>Political, macro-economic risks, and risks relating to the specific financial circumstances of the State where the Issuer conducts its activities</i></p> <ol style="list-style-type: none"> (1) Risks related to the political or economic environment, or risks relating to the specific financial circumstances of the State where the |

Issuer carries out its activities, France;

- (2) The risks relating to the functioning of the financial markets;
- (3) The risks relating to clearing;
- (4) The risks relating to the competitive environment in which the Issuer operates;
- (5) The risks relating to regulatory developments and the resolution mechanism, which gives monitoring and resolution authorities powers which may have an impact on the rights of creditors and on the value of the Issuer, its business plan or the Notes it issues.

Risks relating to Members:

- (1) Risks relating to the legal validity of Members' acts and decisions.
- (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 exposed to potential 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 risk that the amounts borrowed by the Issuer may be greater than the amounts that it lends to its Members, the Notes issued under the Programme never being 100% guaranteed under the Member Guarantees;
- (2) ST does not have sufficient liquidity or assets to pay the amounts that it might owe if all of its commitments under the ST Guarantee were to be called upon. ST may therefore depend on the proper execution by the Members of their obligations under the Member Guarantees.
- (3) Risks relating to ST's dependence on Members to pay the full amount for which it could be liable under the ST Guarantee.
- (4) 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.
- (5) Amounts issued from the activation of the ST Guarantee by the Issuer or from the activation of a Member Guarantee by the ST shall be placed in an escrow account opened in the name of ST for the

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| | <p>benefit of the Beneficiaries. The placing of such amounts in the account does not create collateral in favour of the Beneficiaries. In the event that collective insolvency proceedings are brought against ST in accordance with Book VI of the French <i>Code de commerce</i>, the Beneficiaries' claim to the amounts placed in the escrow account shall constitute unsecured claims ranking <i>pari passu</i> with the unsecured claims of other creditors of ST.</p> |
| <p>D.3</p> <p>Key information on the principal risks related to the Notes</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>General market risks:</p> <ol style="list-style-type: none"> (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. <p>General risks relating to the Notes:</p> <ol style="list-style-type: none"> (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) redemption at the option of the Noteholders of some Notes could affect the liquidity of Notes of the same Series which are not subject to such redemption at the option of the Noteholders;
- (6) 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;
- (7) 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;
- (8) 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;
- (9) 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;
- (10) 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.

Risks associated with specific issues of Notes:

- (1) risks associated with Floating Rate Notes;
- (2) risks associated with Fixed Rate Notes;
- (3) risks associated with Fixed/Floating Rate Notes; and
- (4) risks associated with Zero Coupon Notes and other Notes issued below par or with an issue premium.

SECTION E – OFFER

| Element | |
|--|---|
| E.2b Reasons of the offer and using of the proceeds of the offer | <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 is used in priority for the distribution of loans to Members in connection with the credit granting policy and the gradual formation and maintenance of a liquidity reserve in accordance with regulatory obligations and good management practices, as may be further specified in the relevant Final Terms.</p> |
| E.3 Terms of the Notes | <p>Notes may be offered to the public in France, in Luxembourg 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> |
| E.4 Interests, including conflicting interests, that may significantly impact the issue/offer | <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> |
| E.7 Estimated expenses charged to investor by the Issuer or the offeror | <p>The expenses charged to the investor shall be specified in the relevant Final Terms.</p> |

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 on 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 risk and concentration risk

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 counterparty risk is the risk arising from the level of exposure to a homogenous group of counterparties, 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 CGCT, the Issuer carries out its activities for the exclusive benefit of the Local Authorities, which are shareholders of the Issuer's parent company, and the Guarantors of the debt securities issued by the Issuer and Members of the Agence France Locale Group.

Although these counterparties are considered to have a limited risk profile, and consequently the credit supplied by the Issuer shares this risk profile, 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 credit risk on those Members. The Issuer is therefore exposed to a potential adverse change to a local authority or within that sector.

The occurrence of such risks could lead to a loss in the value for the Issuer.

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

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.

Furthermore, the Issuer is exposed to a loss in value due to a deterioration in the credit quality of the issuers of securities that it holds, such loss in value being likely to generate a loss of profit and/or adversely impact on the Issuer's own funds.

In order to limit its exposure to the interest rate and exchange rate risks described below, the Issuer manages a substantial part of its balance sheet through variable rates and hedges its currency positions by entering into swaps. The Issuer settles many but not all of these derivatives through clearing houses. The Issuer cannot guarantee that its counterparties – banks or clearing houses – in the swaps it has entered into will be in a position to meet their financial obligations.

The occurrence of such risks could trigger a loss in value for the Issuer.

(b) 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 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 very liquid assets that can be mobilised at any moment in order to meet both its contractual commitments and regulatory requirements. It further plans to ensure a diverse funding strategy and to limit transformations.

Given the growth of its cash portfolio, the Issuer currently holds less liquidity than it requires annually. 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 (for example from assets placed as collateral for its exchange or interest rate derivative transactions), its liquidity could be adversely affected.

The Issuer looks towards international investors to secure refinancing, through the debt and money markets. While such investors have demonstrated their interest in the debt issued by the Issuer and more generally in the debt issued by the funding agencies of local authorities in countries in Northern Europe which have the same economic model as the Issuer, this interest may wane or the price of refinancing may increase, in particular due to a change in the credit rating of France. That

would increase the cost of financing raised by the Issuer and may even limit its financial capacity, having a negative impact on its competitive position.

Moreover, like all banking institutions, the Issuer alters its balance sheet by accepting that assets have a longer duration than liabilities. Although the Issuer's financial policies require this alteration to be much smaller than in other banking institutions (1-year maximum difference between asset and liability) an increase in refinancing conditions for the Issuer in the future cannot be excluded, as explained above. That would then trigger a loss in value for the Issuer.

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 sector entities 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, other financial institutions or the French State.

Finally, the Issuer's credit rating is likely to have a significant impact on its access to funding which could limit the Issuer's ability to find the necessary financing for its activities or increase the cost of such liquidity. 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/or other participants in the sector.

(c) 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 and may trigger a fall in value.

The financial policy set up by the Issuer aims to protect its balance sheet against interest rate risk by having recourse to an almost systematic micro-hedging of debts and fixed rate assets through interest rate swaps. It should however be noted that such hedging is not intended to be completely satisfactory. In particular, it will not cover small-sized loans individually or some loans without constant amortisation fixed in line with the Issuer's standard repricing dates. However, such loans are subject to a sensitive macro-hedge when approved. In the event of a change in interest rates, this non-adjustment of hedging may generate a loss in value. Finally, the hedge accounting that the Issuer will use on these transactions could, in the event of adverse changes, trigger short term interest rate differentials and ineffective hedging leading to unrealised losses which could impact the Issuer's results.

In addition, the Issuer is exposed to the interest rate risks associated with employing its own funds to grant fixed rate unhedged loans to local authorities. The resulting interest rate risk exposure is restricted by the sensitivity of the Issuer's net present value, which measures the impact of a rate shock on discounted cash flow variations for all assets and liabilities on the Issuer's balance sheet.

The negative interest rate environment is likely to create a net charge for the Issuer, to the extent of the amount of assets managed under the liquidity reserve. However, this new reality, directly linked

to the European Central Bank's monetary policy, will have to be assessed in the light of the parallel decline in the Issuer's debt burden.

(d) 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's policy aims to systematically cover the risk by entering into currency micro-hedging swaps or cross currency swaps. Hedge accounting used by the Issuer may generate ineffective hedging leading to unrealised losses in the Issuer's results.

(e) Operational risks

Operational risk under regulation covers the risks of loss resulting from a failure or breakdown of processes, staff (including internal fraud) or internal systems, or from external deliberate or accidental events (including external fraud, natural events, terrorist attacks). It mainly comprises risks related to unlikely but high impact events. The Issuer includes legal risk and non-compliance risk in this category.

In order to best prevent such risks and their consequences from arising, both of which are related to the launch of its activities, the Issuer has an internal monitoring and risk management facility. The occurrence of such risks may not however be excluded, and they may therefore trigger a loss in value for the Issuer.

(a) Process-related risk

The reduction of process-related risk is in particular based on the implementation of periodic and permanent checks carried out as part of the internal monitoring and risk management facility. Despite the existence of this facility, a breakdown in processes which may trigger a loss in value for the Issuer cannot be ruled out.

(b) Human resources risk

As a result of its structure and the context surrounding the launch of its activities, the Issuer relies on a limited number of individuals for its operational requirements. The loss of one or several essential individuals, either through poaching or temporary or permanent unavailability (through accident or illness) may therefore have an impact on its activity.

(c) Risks related to information systems

Information systems are essential elements for the Issuer's operations and activities. The Issuer has chosen to outsource a significant number of such services. In order to minimise its risk exposure, the Issuer has, as part of its internal monitoring and risk management facility, a security policy for its information systems and the monitoring of essential service providers. The Issuer is however exposed to risk related to potential interferences with the availability and integrity of such information systems and data, which could, in particular, lead to a failure by such external service providers.

(d) Legal risk

Legal risk is defined as the risk of any litigation with a counterparty resulting from an inaccuracy, flaw or failure which may be due to the Issuer. The Issuer offers fixed and adjustable rate loans, with

simple and understandable features. However, the risk of a dispute arising from a misunderstanding cannot be ruled out, and such a dispute could trigger a loss in value for the Issuer.

(e) Non-compliance risk

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. In the event that the Issuer is not able to comply with such current or future provisions, it is not possible to exclude sanctions against the Issuer or a withdrawal of its specialist credit institution licence, which would impede the Issuer from carrying out its activity. The Issuer's compliance monitoring facility is intended to limit the occurrence of non-compliance risk. Particular attention is given to the most important regulations for a credit institution (the French *Code monétaire et financier*, Basel regulation, FATCA, etc). The monitoring facility cannot guarantee that such a risk will not apply. This could then trigger a loss of value for the Issuer or negatively affect its reputation.

(f) 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 and only cover a part of the Issuer's operational risks, the Issuer is still exposed to the risk of a default by one of its insurers.

(g) Business-related and strategic risk

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 over the long-term. The business plan of the Issuer currently anticipates that its expenses should cease to be superior to its income over the medium term, taking into account the Issuer's current best forecasts set out in section 5 "Turnover and profit forecasts", pages 141 et seq. of this Base Prospectus. Although in designing such scenarios the Issuer paid great attention to the forecasts and assumptions which seemed most realistic, it may be that such forecasts and assumptions are not realised.

(h) Prudential ratio compliance risk

By virtue of its approval as a specialist credit institution, the Issuer must comply with certain regulatory constraints and internal limits, including the following prudential ratios:

- a minimum (*Common Equity Tier One*) solvency ratio of 8.64% as at 31 December 2016 (internal requirement 12.5%);
- a minimum leverage ratio of 3.5% (internal requirement);
- a minimum 30-day liquidity coverage ("LCR") ratio of 70% as at 31 December 2016 (internal requirement 150%);
- a minimum one year net stable funding ("NSFR") ratio of 150% (internal requirement).

The Issuer has therefore implemented a strict mechanism for monitoring and anticipating variations in these regulatory ratios in order to ensure that the internal requirements, which go beyond the regulatory requirements, are permanently complied with. Failure to comply with regulatory constraints may result in the Issuer being obliged to implement one or more remedial measures or even in the revocation of the Issuer's authorisation generating an impairment of value for the Issuer.

(i) Economic model-related 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 or other products, the Issuer could face difficulties in achieving its objectives in terms of profitability, especially those described in section 5 "Turnover and benefits forecasts" of the section "Description of the Issuer".

(j) Risks related to new members joining

Even though the Issuer was established as provided by law and in response to a strong determination expressed constantly over the last few years by a large number of Local Authorities, the launch and development of the Issuer's activity is exposed to several variables, particularly with regard to the interest it arouses among local authorities. These variables could delay the acquisition of equity in the Issuer supplied by the initial capital contributions that the local authorities pay upon joining ST and impact the volume of activity planned by the Issuer or even prevent it from being achieved.

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

(a) Risks related to the economic and political environment

The Issuer being a financial institution, its trades are very sensitive to changes in the markets and to the economic environment in France, in Europe and the rest of the world. Its exposure to French local public authorities exposes the Issuer to risk of loss from potential adverse changes to the political, economic, and French or European 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 and 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.

(b) Risks related to the operation of financial markets

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 could lead 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 of this kind could adversely affect the ability of the Issuer to carry out its activities, in particular to effect 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.

(c) Risks related to clearing

Due to the importance of derivative contracts and increasing recourse to clearing houses in accordance with regulation, a failure by a clearing house cannot be excluded and could adversely impact the Issuer's ability to carry on its activity.

1.3 Risks related to the competitive environment

The competition existing and/or increasing in the financing market for local public authorities, both in France and Europe, could lead to (i) the Issuer's business not achieving the success anticipated, (ii) reduced margins on upcoming commitments, reducing the net banking income generated by the Issuer, (iii) limited production of new assets for the Issuer or (iii) could adversely affect the activity, financial conditions, cash flow and the results of the Issuer's operations.

(a) Risks related to regulatory change – including Resolution

On 22 December 2014, the Issuer was granted a banking licence by the ACPR, to act as a specialist credit institution. This licence became effective on 12 January 2015. It is essential to the Issuer's activity. It subjects the Issuer to a number of regulatory requirements including the obligation to comply with specific legal provisions and prudential ratios.

This regulatory framework is constantly changing. Changes to the regulatory framework may disrupt the forecasts made by the Issuer in its business plan, strengthen some of its obligations and have a corresponding impact on its results.

The resolution – Directive 2014/59/EU of 15 May 2014 (the **RRD**) and regulation no. 806/2014 on the single resolution mechanism (the **SRM regulation**) dated 15 July 2014 establish a framework for the recovery and resolution of credit institutions and investment firms that aims to enable the relevant regulatory authorities to take a broad range of actions in relation to credit institutions and investment firms that are at risk of failure. The aim of the RRD is to give resolution authorities common, effective powers and instruments to take preventative action against banking crises, preserve financial stability and minimise taxpayers' exposure to losses. The powers granted to the authorities by the RRD are divided into three categories: (i) preparatory measures and plans aimed at reducing the risk of potential problems arising (preparation and prevention); (ii) where problems arise within an establishment, powers aimed at stopping the deterioration of the situation at an early stage, to avoid insolvency (early intervention); and (iii) if the insolvency of an establishment is of concern in the general interest, powers establishing a clear, organised way of restructuring or liquidating the establishment, while preserving its critical functions and limiting, in so far as possible, taxpayers' exposure to loss in the case of insolvency.

The SRM Regulation establishes several resolution instruments which can be used separately (subject to the separation of assets which can only be used in conjunction with another resolution instrument) or together where the resolution authority considers that (a) the failure of the institution or group is foreseeable, (b) there is no reasonable likelihood that another private measure or supervisory action would prevent the failure of the establishment within a reasonable period and (c) a resolution measure is necessary in the public interest:

Article 22 of the SRM Regulation lists the following resolution mechanisms:

- (i) **transfer of activities** – allows resolution authorities to sell on normal terms either the establishment itself, either all or part of its activity, without the consent of the shareholder and without meeting the procedural requirements that would apply in normal circumstances;
- (ii) **bridge institutions** – allows resolution authorities to transfer all or part of the activities of the institution to a “bridge institution” (an entity under public control);
- (iii) **separation of assets** – allows resolution authorities to transfer depreciated or toxic assets into a structure that can manage and, in time, reorganise such assets; and
- (iv) **bail-in** – allows resolution authorities to depreciate some subordinated and unsubordinated debt (including principal and interest on the Notes) of a failing institution and/or to convert it into equity securities, which can then be further depreciated or reduced. The resolution authority must apply depreciation and conversion measures to core tier 1 capital securities, then to additional tier 1 capital securities and finally to tier 2 capital securities and other subordinated debt, to the extent possible. If, and only if, the total reduction resulting therefrom is less than the amount sought, the resolution authority, shall reduce to the extent required, the institution’s unsubordinated debt (including principal and interest on the Notes).

Therefore, in the event of the use of the bail-in, the Noteholders could be subject to depreciation (including to zero) or to conversion of their Notes into shares or to an amendment to the terms of the Notes (such as a change in the maturity date of the Notes), which could trigger a loss for such Noteholders of part or all of their investment.

The RRD was transposed into French law on 26 July 2013 by the law on the separation and regulation of banking activities, amended and supplemented principally by order no. 2015-1024 of 20 August 2015 on various provisions adapting legislation to European Union law on financial matters (the **RRD Order**). Thereafter regulatory texts have set out the measures required to implement the transposed legislation (decree 2015-1160 of 17 September 2015 and three decisions of 11 September 2015).

Pursuant to the RRD Order, French credit institutions (such as the Issuer) must, at all times, comply with minimum required levels of capital and eligible commitments in accordance with article L.613 of the French *Code monétaire et financier*, as amended by the law 2016-1691 which entered into force on 11 December 2016, as defined by the supervisory authority. The minimum requirement is expressed as a percentage of total own funds and the remainder of the liabilities of the relevant institution. The minimum requirement for own funds and eligible liabilities of each credit institution is determined by the resolution board, in particular by reference to the following criteria: the requirement for the adopted resolution measures to fully satisfy the resolution objectives; the need, where appropriate, for the credit institution to have a sufficient level of eligible liabilities to ensure that losses can be absorbed and that the minimum own funds requirement of the credit institution, the subject of a resolution procedure, may be brought to the level necessary for it to continue to fulfill the conditions of its approval and to carry on the activities for which it has been approved and for the market to remain sufficiently confident in such credit institution; The size, business model, financing model and risk profile of the credit institution; The negative effects of the failure by the

credit institution in question on financial stability, in particular as a result of the contagion effect due to its inter-relationship with other institutions or with the financial system as a whole.

The majority of the provisions in the RRD Order, particularly those relating to the minimum requirement for own funds and eligible liabilities (**MREL**) and those relating to the bail-in, entered into force on 1 January 2016.

Such regulation applies to the Issuer in the same way as to any other credit institution. The powers currently provided in these regulations, could have an influence on the way in which credit establishments (including the Issuer) are managed, as well as in some circumstances, on the rights of creditors. They could affect the value of the Issuer, its business plan or the Notes that it issues.

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 the legal validity of Member's acts and decisions

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 (of either Medium-Long Term Loans or Liquidity Facilities) or in terms of 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' medium and long term 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 (except for the notional amount under the liquidity facilities) must be registered in Members' budgets. If it is not, Article L. 1612-15 of the CGCT provides for the "automatic enrolment" (*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 over the medium and long term 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.

Having been frozen for the period 2012-2017 by the law of 31 December 2012, State allowances to the Local Authorities (specifically the Overall Operating Allowance (*DGF*)) have been reduced by 1.5 billion euros for fiscal year 2014 by the Financial Law of 29 December 2013. The Law of 29 December 2014 on *planned public financing from 2014 to 2019* confirms the reduction of State financial support, as part of local authorities' efforts to contribute to the recovery of public accounts of 3.67 billion euros for fiscal year 2015, 2016 and 2017. Thus, the government has stipulated a decrease of 11 billion euros of these grants between 2015 and 2017. This amount has been reduced to 10 billion euros following the adoption of the 2017 Finance Act no. 2016-1917 dated 29 December 2016 which halves the efforts required by *communes* and tax-raising EPCIs, namely a reduction in the contribution by the "*commune bloc*" to the restoration of the public finances in 2017 of around 1 billion euros. The DGF paid in 2017 is expected to be around 30 billion euros (compared to around 40.5 billion euros in 2013).

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 without being offset by savings measures or increased resources, this may affect the cash flow of Members and could potentially cause them to limit their borrowing.

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 and are Members, 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 Medium-Long Term Loans (see paragraph 2.1(a) of the "Description of the Issuer" section for a definition of medium/long term funding) of the Member granting such Member Guarantee *vis-à-vis* the Issuer and the ceiling of a Member Guarantee will not therefore increase where Liquidity Facilities are granted by the Issuer to such Member. In the absence of 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 Medium-Long Term 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 and another part is used to fund the granting of Liquidity Facilities. 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 Medium-Long Term Loans to Members. The remaining 30% would be retained to ensure the liquidity of the Issuer pursuant to its regulatory obligations and best management practices and to offer Liquidity Facilities to Members with the conditions and limits set by the financial policies.

As at 31 December 2016, the Issuer had a net liquidity reserve of signed but undisbursed loans, representing 22% of the balance sheet total, compared with 74% for Medium-Long Term Loans granted to Members. As at the date of this Base Prospectus, the net liquidity reserve for loans signed but not disbursed is 37% and the amount of Medium-Long-Term Loans granted to Members is 59% of the balance sheet total.

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

3.2 Risks relating to the ST Guarantee

Each issue of Notes (including the Notes issued under the programme) and/or financial commitments (such as banking facilities and hedging transactions) of the Issuer, benefitting from the ST Guarantee, activates a guarantee, known as the statement of guarantee. This statement specifies the maximum amount guaranteed under the relevant issue or financial commitment (the **Individual Ceiling**). The Individual Ceiling is determined at the discretion of the Issuer (and notified to ST) on the basis of the type and terms of the notes and/or financial commitments guaranteed and the amounts or principal, interest and ancillary payments likely to be owed. The Individual Ceiling for each Tranche of Notes issued under the Programme is indicated in the Final Terms for the relevant issue and is equal at least to the total amount of such issue.

While not enforceable against third parties, in particular against the Noteholders, the Issuer has agreed, in a Memorandum of Understanding with ST in relation to the ST Guarantee, published on the Issuer's Website, to ensure that the sum of Individual Ceilings, corresponding to the total amount guaranteed under the ST Guarantee is set at an amount at least equal to the total amount of funds raised by the Issuer on the capital markets through any means (Notes issued under the Programme and notes issued under the Issuer's euro commercial paper programme) and other financial commitments (such as banking facilities and hedging transactions) that the Issuer has entered into and that both benefit from the ST Guarantee.

The total amount guaranteed under the ST Guarantee is currently 5,000,000,000 euros pursuant to a decision of the ST Board of Directors on 16 February 2017.

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

Competition from other lenders - 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.

Amounts placed in an escrow account for the benefit of the Beneficiaries – The Issuer is able to call upon the ST Guarantee on behalf of the Beneficiaries. Amounts issued from the guarantee calls will be placed in an escrow account opened with the CDC in the name of ST and must be used exclusively to pay the Beneficiaries upon the date of maturity of their debt. The placing of such amounts in an escrow account does not create collateral in favour of the Beneficiaries. In the event that collective insolvency proceedings are brought against ST in accordance with Book VI of the French *Code de commerce*, the Beneficiaries' claims to the amounts placed in the escrow accounts shall constitute unsecured claims ranking *pari passu* with the unsecured claims of other creditors of ST. Moreover, payment to the Beneficiaries of amounts deposited in the escrow accounts depends on the instructions given to the CDC in accordance with the ST Guarantee and the Member Guarantee at the time of the guarantee call by the Issuer, in the case of the ST Guarantee and by ST in the case of the Member Guarantee to pay such amounts to the Beneficiaries. If extraordinarily the Issuer or ST, as applicable, were to fail to give such instructions to the CDC, the Beneficiaries might not receive the amounts paid into the escrow accounts.

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.

Risks relating to the vote by the United Kingdom to leave the European Union

On 23 June 2016, the United Kingdom held a referendum to decide on the future of its membership of the European Union. The result was in favour of exiting the European Union. There are therefore a number of uncertainties surrounding the future of the United Kingdom and its relations with the European Union. The negotiation of the terms of its exit from the European Union could take several years. Until such terms and the EU exit timetable have been agreed, it is impossible to determine the impact that the referendum, its exit from the European Union and/or any other developments associated with the outcome of this referendum may have on the Issuer's financial situation.

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.

The exercise of a redemption option by the Issuer for certain Notes may affect the liquidity of the Notes of the same Series for which this option has not been exercised. Depending on the number of Notes of such Series for which this option as specified in the relevant Final Terms has been exercised, any market for trading in the Notes for which this option has not been exercised may become illiquid.

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.

Risks relating to optional redemption by the Noteholders

The exercise of an optional redemption provision by the Noteholders for certain Notes may affect the liquidity of the Notes from the same Series for which this option has not been exercised. Depending on the quantity of Notes from such Series for which this option, has been exercised (as provided for in the relevant Final Terms), any trading market for the Notes for which this option has not been exercised can become illiquid.

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 jurisdiction 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, disposal 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

The proposed European financial transaction tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). In March 2016, Estonia indicated that it intends to withdraw from increased cooperation.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal 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.

However, the Commission's proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

If the Commission's Proposal were to be adopted and transposed into national law, the FTT could increase the transaction costs for purchases and sales of Notes and could reduce market liquidity for the Notes.

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 at the date specified in the relevant Final Terms, or at a rate that can be automatically converted at the date specified in the relevant Final Terms. 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.

GLOSSARY

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

| | |
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| ACPR | means the French Prudential Supervisory Authority (<i>Autorité de Contrôle Prudentiel et de Résolution</i>) |
| AFEP | means the French Association of Private Companies (<i>Association Française des Entreprises Privées</i>) |
| Adjusted ICC | means the initial capital contribution of Members which have expressly opted for adjusted ICC calculation terms |
| Provisional Adjusted ICC | means the initial capital contribution of Members which have expressly opted for adjusted ICC calculation terms, as calculated on the date of accession of the local authority |
| Actual Adjusted ICC | means the initial capital contribution of Members which have expressly opted for adjusted ICC calculation terms, as calculated at the end of the reference calendar year nominated by the local authority as the basis for calculating the actual ICC that it must pay |
| Agence France Locale Group | means the group comprised of the Issuer and ST |
| Beneficiaries | 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 and/or the ST Guarantee |
| CDC | means the <i>Caisse des dépôts et consignations</i> |
| CGCT | means the French Local Authority Code (<i>Code général des collectivités territoriales</i>) |
| Code AFEP-MEDEF | means the corporate governance code of the <i>Association Française des Entreprises Privées</i> (French Association of Private Companies - AFEP) and the <i>Mouvement des Entreprises de France</i> (French Business Confederation - MEDEF), as amended in June 2013. |
| CRA Regulation | means Regulation (EC) no. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended. |
| CRC | means the regional accounting offices (<i>chambres régionales des comptes</i>) established by French law no. 82-213 of 2 March 1982 |
| CTC | 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> |
| DGF | means the global operating grant (<i>dotation globale de fonctionnement</i>) |
| EIB | means the European Investment Bank |
| EPCI | means public inter-communal cooperative institutions (<i>établissements publics de coopération intercommunale à fiscalité propre</i>) |

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| EPT | means public territorial institutions (<i>établissements publics territoriaux</i>) |
| French law of 12 July 1999 | means law no.°99-586 of 12 July 1999 <i>on the strengthening and simplification of inter-municipal cooperation</i> |
| French law of 13 August 2004 | means law no.°2004-809 of 13 August 2004 <i>on the local liberties and responsibilities</i> |
| French law of 26 July 2013 | means law no.°2013-672 of 26 July 2013 <i>on the separation and regulation of banking activities</i> |
| Groupings | means the municipalities that belong to an EPCI that levies their own taxes |
| Initial Capital Contribution (ICC) | means the Members' initial capital contribution to the Agence France Locale Group |
| Issuer or Agence France Locale | means Agence France Locale |
| Liquidity Facility | means any loan granted by the Issuer to a Member for an initial term of fewer than or equal to 364 days |
| Local Authority | means the tax-raising local authorities, the public inter-communal cooperative institutions and public territorial institutions mentioned in article L. 5219-2 of the CGCT |
| MAPTAM Law | means law no. 2014-58 of 27 January 2014 <i>on the modernisation of the territorial public action and affirmation of metropolitan areas</i> |
| MEDEF | means the French Business Confederation (<i>Mouvement des Entreprises de France</i>) |
| Medium-Long Term Loan | means any loan granted by the Issuer to a Member for an initial term greater than 364 days |
| Member Guarantee | means the guarantee granted autonomously by each of the Members having subscribed for a Medium-Long Term Loan with the Issuer |
| Members | means the Local Authorities that have completed the membership process and accordingly have become shareholders of ST |
| NOTRe Law | Means law no. 2015-991 of 7 August 2015 <i>relating to a new territorial organisation of the Republic</i> |
| Operating revenues | 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 |
| Actual Operating Revenue | means the total amount of actual operating revenue entered in the management account of a local authority which has expressly opted to benefit from adjusted ICC calculation terms, in respect of the reference calendar year that it has nominated for the purpose of calculating its ICC |
| SFIL | means the <i>Société de Financement Local</i> |

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| <i>Shareholders' Agreement</i> | means the shareholders' agreement of the Agence France Locale Group, signed on 24 June 2014 among the Issuer, ST and the Members |
| <i>Sleeping Member</i> | 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. Under the Shareholders' Agreement, Sleeping Member means any Member attributed such status as a result of (i) failure to pay the ICC in accordance with the terms of and timetable set out in the bylaws of ST, (ii) a transfer of powers between one local authority and another, where the local authority to which the power(s) were transferred does not or cannot become a member of ST, (iii) a transfer of ST shares by a full Member to a third party which the Board of Directors has not recognized as a Member, (iv) a breach of the Shareholders' Agreement, the Member Guarantee or the bylaws of the Guarantor or, as the case may be, the Issuer, or (v) failure to approve all proposed amendments to the Shareholders' Agreement. |
| <i>ST</i> | means the parent company of the Issue, Agence France Locale – Société Territoriale |
| <i>ST Guarantee</i> | means the guarantee granted by ST |
| <i>Total debt</i> | 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 |
| <i>Reference Total Debt</i> | means the total indebtedness assumed by a local authority which has expressly opted to benefit from adjusted ICC calculation terms, in respect of the calendar year preceding its accession or the total indebtedness that it plans to assume (i) in respect of the calendar year in which it applies for accession or (ii) in respect of the calendar year following that in which it applied for accession |
| <i>Actual Debt</i> | means the total indebtedness actually assumed by a local authority which has expressly opted to benefit from adjusted ICC calculation terms, in respect of the reference calendar year that it has nominated for the purpose of calculating its ICC |

PRESENTATION OF THE ISSUER

Characteristics and mandate

Agence France Locale Group is based on a dual structure comprising **ST** (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 ST; 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 ST composed of representatives of Member Authorities.

The establishment of Agence France Locale Group 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 CGCT.

It was formally established on 22 October 2013 - the date on which its deed of constitution was signed - and the banking institution, Agence France Locale, was granted a banking license in its capacity as specialised credit institution on 22 December 2014 by the French Prudential Supervisory Authority (the **ACPR**). This license became effective on 12 January 2015.

On 23 September 2015, the rating agency Moody's assigned Agence France Locale a long-term rating of Aa3 with a stable outlook, in line with that of the French State. This rating was confirmed by Moody's on 7 November 2016.

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 and euro commercial paper issuances in order to grant fixed rate and simple floating rate credits to local authorities and public inter-communal cooperative institutions (**EPCIs**) which are themselves the agency's members and shareholders.

The main missions of ST 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 ST, are as follows:

- the daily operational management of financial activities;
- fund-raising on the capital markets;

- investing the liquidity reserve; and
- providing loans exclusively to Member Authorities.

Following ST's twelfth share capital increase on 6 March 2017 in an amount of 17.329 million euros, thereby increasing the Issuer's share capital by an amount of 16.5 million euros, there are as at the date of this Base Prospectus 183 shareholder Member Authorities. At the date of this Base Prospectus, ST's share capital stands at 133,217,500 euros, the Local Authorities having committed to subscribe for a total amount of 137.31 million euros in ST's share capital. Member Authorities are able, if they so wish, to transfer their ICC by instalment, in three tranches spread over three years, in five tranches spread over five years or, under certain conditions, by instalments over a longer period (see paragraph 4.2 (b)(ii) "Initial Capital Contribution" of the Base Prospectus). At the date of this Base Prospectus, the Issuer's share capital stands at 127,500,000 euros.

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

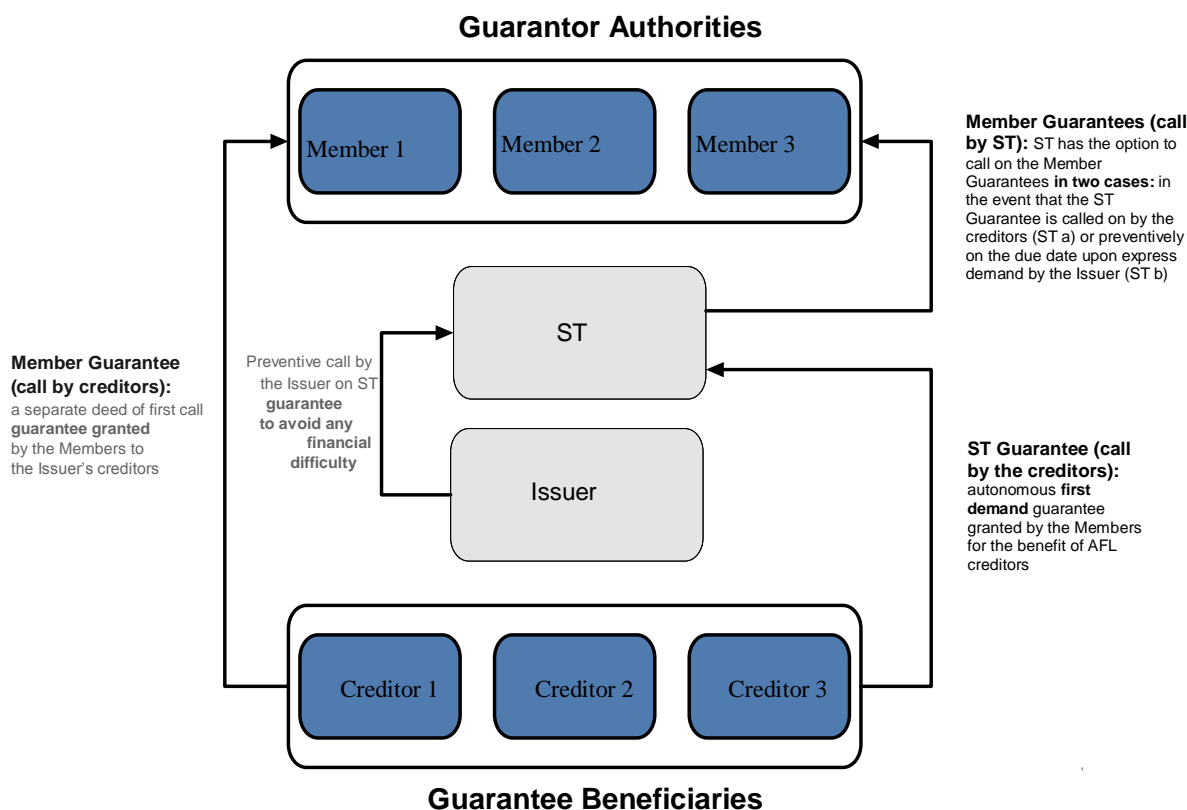
The Agence France Locale model is built around a first call guarantee system. This is in fact a dual guarantee mechanism involving:

- 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 CGCT, this guarantee is capped at the amount of the outstanding Medium-Long Term Loans subscribed by each Member Authority with Agence France Locale. A creditor can call on the guarantee undertakings from several Member Authorities;
- ST through the ST Guarantee. Creditors can directly call on the guarantee of ST.

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 ST Guarantee, which has the advantage of simplicity.

In addition, it should be noted that the ST Guarantee can be called on behalf of Beneficiaries of Agence France Locale and that the Members Guarantees can be called by ST on behalf Beneficiaries. 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.

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



The financial policies defined and implemented by the Issuer are particularly strict and are largely inspired by the policies of certain supranational institutions or multilateral development banks. The Issuer's aim is to manage 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, by assuming interest rate risk exposure associated with employing own funds to grant unhedged fixed rate loans to local authorities.

Agence France Locale aims to hedge its balance sheet against interest and exchange rate risk by indexing of the instruments recorded thereon mainly on 3-month Euribor.

Alongside this, a liquidity cushion the ultimate aim of which is to represent one year of net cash requirements has been established, combined with a conservative policy for investing its available cash in securities of excellent credit quality in order to ensure that the institution functions and that its operational activities continue in all circumstances.

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

- assess the financial standing of local authorities, EPCIs and public territorial institutions upon their accession to the Agence France Locale Group through the setting up of a so-called "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 “financial” rating mentioned above to a so-called “socio-economic” then “qualitative” rating. Lastly, the Credit Committee of Agence France Locale decides on the final rating given to the relevant local authority.

In addition, Agence France Locale has undertaken to observe the following limits in accordance with prudential ratio:

- a “*Common Equity Tier One*” ratio set at a minimum of 12.5%;
- 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%.

At 31 December 2016 the Issuer’ prudential ratios were as follows:

- a “*Common Equity Tier One*” ratio of 30.57%;
- a leverage ratio of 5.39%;
- an LCR ratio of 695%; and
- a NSFR ratio of 173%.

The current reform of the leverage ratio should ultimately lead to a different definition for development banks, such as the Issuer; indeed, once this reform has been implemented, development loans will be excluded from the assessment basis.

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:

- (5) 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
- (6) 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 or in Luxembourg, for the content of the Prospectus vis-à-vis any person (an **Investor**) located in France or in Luxembourg 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.

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), (ii) the Issuer (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).

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus must be read and construed in conjunction with the sections, mentioned in the table below, which are included in the following documents which have been previously published and filed with the AMF. These sections are incorporated by reference in, and shall be deemed to form part of, this Base Prospectus:

- the sections, mentioned in the table below, of the Issuer's annual report as at 31 December 2015 containing the financial statements as at 31 December 2015 (prepared in accordance with the IFRS) including the Issuer's auditors' report on the aforementioned financial statements (the **Issuer's Annual 2015 IFRS Financial Statements**);
- the sections, mentioned in the table below, from the Issuer's annual report as at 31 December 2016 containing the financial statements as at 31 December 2016 (prepared in accordance with the IFRS) and including the Issuer's auditors' report on such financial statements (the **Issuer's Annual 2016 IFRS Financial Statements**);
- the sections, mentioned in the table below, of the Issuer's annual report as at 31 December 2015 containing the financial statements as at 31 December 2015 (prepared in accordance with French GAAP) including the Issuer's auditors' report on the aforementioned annual financial statements (the **Issuer's Annual 2015 French GAAP Financial Statements**);
- the sections, mentioned in the table below, of the Issuer's annual report as at 31 December 2016 containing the financial statements as at 31 December 2016 (prepared in accordance with French GAAP) including the Issuer's auditors' report on the aforementioned annual financial statements (the **Issuer's Annual 2016 French GAAP Financial Statements**);
- the sections, mentioned in the table below, of the consolidated financial statements for ST as at 31 December 2015 and 31 December 2016 including ST's auditors' report on the aforementioned consolidated financial statements (respectively the **ST's 2015 Consolidated Financial Statements** and the **ST's 2016 Consolidated Financial Statements**); and
- the terms and conditions of the Notes in pages 59 to 87 of the base prospectus which received the AMF visa No 15-079 dated 6 March 2015 (the **2015 Conditions**) and the terms and conditions of the Notes in pages 73 to 108 of the base prospectus which received the AMF visa n°16-140 dated 15 April 2016 (the **2016 Conditions**). The 2015 Conditions and the 2016 Conditions are incorporated by reference only for the issuance of fungible Notes, which form a single Series with the Notes already issued under the 2015 Conditions or the 2016 Conditions.

Cross reference list

| Information incorporated by reference (Annex IV of the European Regulation 809/2004/EC) | Reference | |
|---|---|---|
| Financial information concerning the Issuer's assets and liabilities, financial position, and profits and losses | | |
| | Issuer's Annual 2016 IFRS Financial Statements | Issuer's Annual 2015 IFRS Financial Statements |
| <u>Historical financial information</u> | | |
| <u>Financial statements</u> | | |
| Balance sheet | Pages 86 | Page 84 |
| Income statement | Page 87 | Page 85 |
| Cash flow statement | Pages 90 | Page 88 |
| Notes | Pages 91 to 110 | Pages 89 to 105 |
| <u>Audit of the annual historical financial information</u> | | |
| Auditors' report | Pages 83 to 85 | Pages 82 to 83 |

| | | |
|---|--|--|
| | Issuer's Annual 2016 French GAAP Financial Statements | Issuer's Annual 2015 French GAAP Financial Statements |
| <u>Historical financial information</u> | | |
| <u>Financial statements</u> | | |
| Balance sheet | Pages 115 | Page 110 |
| Income statement | Page 116 | Page 111 |
| Cash flow statement | N/A | Page N/A |
| Notes | Pages 118 to 130 | Pages 113 to 125 |
| <u>Audit of the annual historical financial information</u> | | |
| Auditors' report | Pages 111 to 113 | Pages 108 to 109 |

| Financial information concerning ST's assets and liabilities, financial position, and profits and losses | | |
|---|--|--|
| | ST's 2016 Consolidated Financial Statements | ST's 2015 Consolidated Financial Statements |
| <u>Historical financial information</u> | | |
| <u>Consolidated financial statements</u> | | |
| Consolidated balance sheet | Pages 68 | Page 3 |
| Consolidated income statement | Page 69 | Page 4 |
| Cash flow statement | 72 | Page 7 |
| Notes | Pages 73 to 92 | Pages 8 to 27 |
| <u>Audit of the annual historical financial information</u> | | |
| Auditors' report | Pages 64 to 67 | Pages 28 to 31 |

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded by the contents of this Base Prospectus to the extent that a statement contained herein modifies or supersedes any such earlier statement. Any statement so modified or superseded shall not, except as so modified or superseded, be deemed to form part of this Base Prospectus.

Copies of all documents incorporated by reference in this Base Prospectus may be viewed on the websites of (i) the Issuer (www.agence-france-locale.fr) and (ii) regarding the 2015 Conditions and the 2016 Conditions, the AMF (www.amf-france.org).

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 21 April 2017 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 guarantee approved by the Board of Directors of ST on 16 February 2017 (the **ST Guarantee**), the Board of Directors having increased the maximum amount guaranteed by ST, in accordance with the provisions of its by-laws and the terms of 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, *établissements publics de coopération intercommunale à fiscalité propre* and the *établissements publics territoriaux* mentioned in article L.5219-2 of the French *Code général des collectivités territoriales* which have completed the membership process and have consequently become shareholders of ST (the **Members**), equal, for each Member, to the outstanding amount of the loans of an initial term of more than 364 days that such Member would have subscribed 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:

$$sjj^2 = 31etkk^1 \neq (30,31)$$

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

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(jj¹, mm¹, aa¹) is the commencement date of the period

D2(jj¹, mm², aa²) 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:

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

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 Prévüe*) means, the currency specified in the relevant Final Terms.

Specified Duration (*Durée Prévüe*) 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.

If the paragraph "Floating Rate", in the applicable Final Terms, provides that the interest rate in respect of an Interest Period shall be determined by linear interpolation, the Interest Rate applicable to such Interest Period shall be calculated by the Calculation Agent by linear interpolation between two (2) rates based on the relevant Floating Rate, the first rate as would be applicable to a maturity just shorter than the duration of the relevant Interest Period and the second rate as would be applicable to a maturity just longer than the relevant Interest Period.

(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.

If the paragraph "Floating Rate Option", in the applicable Final Terms, provides that the interest rate in respect of an Interest Period shall be determined by linear interpolation, the Interest Rate applicable to such Interest Period shall be calculated by the Calculation Agent by linear interpolation between two (2) rates based on the relevant Floating Rate, the first rate as would be applicable to a maturity just shorter than the duration of the relevant Interest Period and the second rate as would be applicable to a maturity just longer than the relevant Interest Period.

(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 subparagraph (A)(I) above applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Coupon Determination Date or if subparagraph (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).

If the paragraph "Benchmark", in the applicable Final Terms, provides that the interest rate in respect of an Interest Period shall be determined by linear interpolation, the Interest Rate applicable to such Interest Period shall be calculated by the Calculation Agent by linear interpolation between two (2) rates based on the relevant Floating Rate, the first rate as would be applicable to a maturity just shorter than the duration of the relevant Interest Period and the second rate as would be applicable to a maturity just longer than the relevant Interest Period

- (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.

5.4 Interest on 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 from a Floating Rate to a Fixed Rate (ii) which shall be automatically converted from a Fixed Rate to a Floating Rate or from a Floating Rate to a Fixed 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, provided that under no circumstances may the Interest Rate be less than zero per cent (0%).
- (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 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 shall be made by reducing the nominal amount of such Dematerialised Notes pro rata the nominal amount redeemed.

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 0 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 or deduction 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 0 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, Receipts or Coupons 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 articles L. 213-1-A and 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 1st 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 Dematerialised Notes in pure registered form (*au nominatif pur*), a Registration Agent and (e) 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 and interest made 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 any kind 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 interest in respect of any Note, Receipt or Coupon are to be subject to withholding or deduction for any taxes or duties of any kind, present or

future, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary for the Noteholders, Receiptholders and Couponholders to 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, Receiptholder or Couponholder, 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 Materialised 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 day period.

References in this Condition 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 five (5) years from 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.

As long as the Notes are held by a single Noteholder, the relevant Noteholder will exercise directly the powers delegated to the Representative and General Meeting under the Terms. The single Noteholder shall keep (or shall ensure that any authorised agent keeps) a record of all the decisions taken by it, in such capacity, and shall make the records available, on demand, to any future Noteholder. A Representative shall be appointed when the Notes of a Series are held by more than one Noteholder.

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. UNFORESEEABILITY

The Issuer and the Noteholders acknowledge that the provisions of article 1195 of the Civil Code shall not apply to these Terms.

16. GOVERNING LAW, LANGUAGE AND JURISDICTION

16.1 Governing law

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

16.2 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 Issuer's registered office.

17. 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 is used, firstly, to grant loans to Members in the context of the lending policy as well as to gradually establish and maintain 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. 799 379 649.

(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 amended 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, tax-raising public establishments for inter-municipal cooperation (EPCIs à fiscalité propre) and public territorial institutions (établissements publics territoriaux) mentioned in article L. 5219-2 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, public establishments for inter-municipal cooperation and public territorial establishments mentioned in the same article L. 5219-2. 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, tax-raising public establishments for inter-municipal cooperation (EPCIs à fiscalité propre) and public territorial institutions (établissements publics territoriaux) mentioned in article L. 5219-2 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
E-mail: 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 ("The Issuer's capital and liquidity requirements") 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) Rating assigned to the Issuer or its debt instruments

On 23 September 2015, the Issuer was assigned a rating of Aa3 by Moody's, with a stable outlook. This rating was confirmed by Moody's on 7 November 2016.

The Programme was assigned a rating of Aa3 by Moody's.

1.2 Investments

(a) Fixed asset investments

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

(b) Financial investments

The Issuer reinvests the revenue from its lending as well as that from its regular increases in capital, which it carries out pending granting loans to its members. As a result, a liquidity reserve has built up, investments of which are guided by the investment and credit risk management policy related to the market activity, which sets out the main principles of cash investment and the credit risk management policy related to the Issuer's activities. A compartment of the liquidity reserve is invested in fixed rate and floating rate bonds, mainly public sector issuers in the European Economic Area, North America or in OECD countries of high credit quality, assessed in particular by reference to the credit rating of such issuers. These securities are swapped against a variable benchmark in accordance with the Issuer's interest rate risk hedging policy with the aim of neutralizing the effects of an adverse trend in interest rates on the value of these securities. At least 70% of the securities in the liquidity reserve are classified as HQLA or highly liquid, in accordance with the Issuer's management guidelines. In addition, most of these securities have access to European Central Bank refinancing.

This system for managing the Issuer's liquidity reserve is inspired by that employed by the main government local authority funding agencies as well as by the multilateral development banks. It has demonstrated its effectiveness in ensuring that these institutions have liquidity in a wide range of market conditions whilst minimizing any impact on their profitability.

The other financial assets comprise principally deposit accounts held with French banks and the *Banque de France*.

At 31 December 2016, total financial assets making up the liquidity reserve amounted to 435.5 million euros.

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 and which became effective on 12 January 2015, 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 offers:

- medium- and long-term funding (Medium-Long Term Loans) since the onset of operations; and
- short-term funding (Liquidity Facilities), since the fourth quarter of 2016.

Liquidity Facilities are subject to specific budgetary and accounting regimes. Circular NOR/INT/B/89/007/C of 22 February 1989 on short-term financial support offered to local authorities and their public institutions stipulated the rules for distinguishing the form of money lending according to its on- or off-budget treatment by the local authority's decision-making body.

Thus, such financial support is treated as a liquidity facility recorded off-budget in class 5 financial statements and is intended to be used to manage the local authority's liquidity.

As a result of this fundamental distinction the amounts lent through a Liquidity Facility are not intended to fund investment and do not amount to budgetary resources. They only fund the temporary period between when expenses are paid and income is received.

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 36,797 local and regional authorities and EPCIs, a significant number of which however do not use credit.

As at 1 January 2017, there were 35,416 municipalities, 99 departments (*départements*), 18 regions and one special-status local authority¹.

More than 97% of the municipalities have fewer than 10,000 inhabitants².

¹ i.e., the Métropole de Lyon.

² Source: General Directorate of the Local Authorities (Ministry of the Interior), *Local municipalities in numbers 2016*.

Coverage of the entire nation by tax-raising EPCI has been completed. As of 1st January 2017, only four isolated *communes* remain, which are four single commune islands which enjoy special legislative dispensation (the Ile d'Yeu, Ile de Bréhat, Ile de Sein and Ile d'Ouessant).

As of 1 January 2017 there were 1,266 tax-raising EPCIs¹ together with a special status authority (*collectivité à statut particulier*) under article 72 paragraph 1 of the Constitution:

- 1,019 joint municipalities
- 218 conurbations;
- 15 urban authorities; and
- 14 ordinary law metropolitan areas.

Added to these EPCIs is the Greater Paris metropolitan area (*métropole du Grand Paris*), provided under article 12 of the MAPTAM Law and divided into 12 territories (EPT1 to EPT12) beginning on 1 January 2016.

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

Since the entry into force on 1 January 2015 of certain provisions of the MAPTAM Law, the number of metropolitan areas increased from ten to fourteen (excluding Lyon metropolitan area) and the number of urban authorities (*communautés urbaines*) rose from 9 to 15.

Moreover, law no. 2015-292 of 16 March 2015 *relating to the improvement of the new municipality regime*, which added to law no. 2010-1563 of 16 December 2010 *on the reform of local authorities*, introduced a new facility to merge municipalities, leading to the creation of new municipalities subject to the rules applicable to communes.

As at 1st January 2017, 1,760 communes merged to form 517 new communes between 2011 and 2016².

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' credit 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 2013³, 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

¹ Source : DGCL BIS, 1 266 tax raising EPCI as at 1st January 2017, n°113, January 2017

² Source : AMF, *Overview of the new communes*, March 2017, p. 91

³ Source: Cour des Comptes, *Les finances publiques locales* (National Audit Office, Local government finances), public report, October 2013, p.253

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.

In its public thematic report on local public finances dated October 2016¹, the *Cour des Comptes* underlined that, faced with the 3.67 billion euro reduction in endowments in 2015, financial constraint had not increased proportionally. Overall, Local Authorities have enjoyed growing fiscal revenue and have been able to slow down their operating expenditure. This has enabled gross savings to recover after two years of significant falls and resulted in a reduction in its financing requirements.

Commune and inter-commune finances in particular are recovering. These Local Authorities have seen their gross savings and internal financing capacity increase. However, they have reduced their investment for the second consecutive year and, whilst at the same time increasing their borrowing, have strengthened their working capital.

Moreover, Standard & Poor's² noted in its report dated March 5, 2014³ that the French local government sector has a solid credit rating and emphasised 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".

Despite the financial constraints facing Local Authorities, S&P was confident in their ability to weather the shock of the decrease in State allowances and, in the end, maintain a satisfactory level of solvency.

This is supported in particular by the latest report published on 20 February 2017 in which the rating agency concludes that "all local authority levels have demonstrated their ability to absorb reductions in State endowments since 2014"⁴.

The table below sets forth the Local Authorities' indebtedness for 2015⁵:

| | Municipalities | | Departments | | Regions | | Total | |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|---------------|
| | Amount in € billion | Change 15/14 | Amount in € billion | Change 15/14 | Amount in € billion | Change 15/14 | Amount in € billion | Change 15/14 |
| Interest on debt | 3.8 | 25.80% | 1.1 | -6.40% | 0.7 | 15.70% | 5.6 | 17.60% |
| Debt repayments | 8.4 | 9.90% | 3.3 | 7.90% | 2.2 | 8.70% | 13.9 | 9.10% |
| New loans | 9.4 | 9.90% | 3.9 | -3.00% | 4.3 | 18.00% | 17.6 | 8.00% |
| Debt as at 31/12* | 85.9 | 9.90% | 35.9 | 2.70% | 24 | 9.20% | 145.8 | 2.70% |
| Debt as at 31/12/ operating revenue | 80.80% | | 52.80% | | 104.30% | | 73.90% | |

¹ Source : Cour des Comptes, "Local public financing", thematic public report, October 2016

² Standard & Poor's rated twenty-eight Local Authorities in 2014.

³ Source: Standard & Poor's, "French LRGs' Stable New Borrowings Mask Rising Pressure on Public Finances" 5 March 2014, p. 30.

⁴ Source : Standard & Poor's, "French local authorities: the moment for relaunching investment?", 20 February 2017, 16 p. See also : S&P, "French local authorities: overall control of indebtedness will not prevent individual financial tensions", 10 February 2016, 17 p. ; S&P, "French local authority financing: is the recovery structural?", 4 October 2016, 7 p.

⁵ Source: *Observatoire des finances locales*, "French local authority financing - an in-depth review", September 2015, p. 39: <http://www.collectivites-locales.gouv.fr/finances-des-collectivites-locales-2015>.

| | | | | |
|---|--------|-------|--------|--------------|
| Annual debt payments / operating revenue | 11.50% | 6.40% | 12.60% | 9.90% |
|---|--------|-------|--------|--------------|

Source : DGFIP – Finance Ministry

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 in 2014 and €3.67 billion applied in 2015, 2016 and 2017, which amounts to a reduction of €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 17.6 billion euros¹ in 2015.

S&P estimates that borrowing in 2016 amounted to approximately 16 billion euros, compared with an initial estimate of 18 billion euros². According to the ratings agency, despite an increase in capital expenditure, borrowing was expected to increase but remain under control at less than 18 billion euros in 2017 and 2018³. Management efforts by Local Authorities in recent years should enable investment expenditure to be relaunched in 2017 and 2018. This would encourage borrowing which would also be facilitated by intermediated and disintermediated financing terms that remain attractive⁴.

2.3 The Issuer's competitive position

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

- the SFIL, a structure created in connection with Dexia's resolution plan, whose shareholders are the French State, the Banque Postale, and the CDC;
- traditional commercial banks including Caisse d'Epargne, Crédit Agricole and Crédit Mutuel; and
- the CDC and the EIB.

In addition, some Local Authorities use disintermediated financing through debt issuances on the capital markets. By way of example, disintermediated financing amounted in 2015, to 2,422 billion euros (75 issues) and, in 2016, 2,102 billion euros (59 issues).

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 countries⁵.

¹ S&P, 10 February 2016 "French local authorities: overall control of indebtedness will not prevent individual financial tensions", 17 p .

² Source : Standard & Poor's report " French local authorities: the moment for relaunching investment? ", 20 February 2017, 16 p.

³ Source : Standard & Poor's " French local authorities: the moment for relaunching investment? ", 20 February 2017, p3

⁴ Source : Standard & Poor's " French local authorities: the moment for relaunching investment? ", 20 February 2017, 16 p

⁵ Similar agencies in Scandinavian countries: Kommuninvest (Sweden) and Munifin (Finland).

- 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.

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 Rating policy

All French local authorities – regions, departments, municipalities – regardless of their size – and tax-raising EPCIs and territorial public establishments can join the Agency France Locale Group and receive loans from it, provided they are in a healthy financial state. Therefore, a thorough assessment of the financial circumstances of Local Authorities is carried out prior to any new membership being granted and reassessments are done before any loan is offered:

Stage 1: financial rating

This rating applies on two occasions, first when the Local Authority applies to join and second when the Local Authority asks for a loan, and it is one of the parts of the final rating given by the Issuer's Credit Committee. The financial rating is based on three cumulative financial criteria and weighted with the following percentages:

- Local Authority's solvency set at 55% (to cover repayment of the debt through gross savings and the gross savings rate);
- The proportion of debt held by the Local Authority capped at 20% (ability to deleverage and debt ratio); and
- Budgetary margins of the Local Authority of at least 25% (the proportion of debt annuities in the operating income and adjustment of ratios in line with the power of the investment rate and net investment expenses).

Ratings are granted on a scale of 1 to 7 (with 1 being the highest and 7 the lowest rating). An applicant Local Authority with a score of 6 or above is not permitted to become a member of Agence France Locale Group.

Stage 2: socio-economic and qualitative rating

This rating applies only when the Local Authority, once it has become a Member, requests a loan. This rating complements the financial rating and is the Member's system score.

Socio-economic analysis: carried out *systematically* on the basis of an evaluation of socio-economic indicators (local rates of unemployment, average per capita income, income from companies' added value contribution (*Contribution sur la Valeur Ajoutée des Entreprises (CVAE)*) per inhabitant and compared to the national average etc.) and has a bonus / malus impact on the initial quantitative score of a maximum of 0.5.

Complementary qualitative analysis carried out where there will be significant exposure or where the risk level will be high. This analysis looks at areas such as governance stability, the quality of financial management, off-balance sheet commitments, liquidity and rates risks, financial outlook, etc. This analysis has a bonus / malus impact on the systematic score of a maximum of 0.5% to give the final score.

The final score granted by the Issuer's Credit Committee sets the (i) size of the loan granted and (ii) its financial conditions.

2.5 Loan policy

a) Medium/Long Term Loans

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

The 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.

Subject to complying with the major risk ratios, 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 grant of loans by Agence France Locale to each of its Members is intended to be capped so that, at any time, such loan does not mean that a Member's outstanding debt with Agence France Locale exceeds 50% of that Member's total outstanding loans.

In exceptional circumstances, where a Member's outstanding debt plus any debt requested is less than 10 million euros, that Member's outstanding debt with Agence France Locale may be greater than 50% of its total outstanding debt and may represent up to all of its outstanding debt.

At the date of this Base Prospectus, the total amount of Medium-Long Term Loans granted was 1,138 million euros.

(ii) *Margin on loans granted*

The Issuer applies a first margin to its loans, which principally represents the costs of accessing the resource.

For Medium-Long Term Loans, margins vary in a symmetrical manner around a central margin on the basis of the final score obtained by the Local Authority (the higher the score, the higher the margin). Other parameters such as the term of the loan (the longer the term, the higher the margin) or any other criteria can also impact the suggested margin.

Finally, subject to the decision of the Issuer's Credit Committee, and in exceptional cases, the range of margins can be extended to address specific situations.

b) Liquidity facilities

(i) *Capping the amount of the loan*

Subject to regard for the rate of major risks incurred and taking into account medium/long term loans already granted, the maximum amount of liquidity facilities should be the result of a combination of the creditworthiness and budgetary scope of the member Local Authorities. Budgetary scope is captured through actual consolidated operating income of the local authority.

The maximum percentage is set at 20% of the actual consolidated operating income of the highest rated Local Authorities.

In accordance with financial policies currently approved by the Issuer's Supervisory Board, the total available amount of Liquidity Facilities is capped at 10% of the outstanding portfolio of Medium-Long Term Loans.

With regard to the grant of Liquidity Facilities, the lending policy provides that, subject to compliance with the major risk ratios, and in particular taking into account the Medium-Long Term Loans already granted, the maximum amount of Liquidity Facilities lent shall be determined on the basis of the combination of the creditworthiness and the budgetary size of the Members. The size of each Member's budget is obtained by looking at their actual operating income.

In addition, Liquidity Facilities have a maximum term of 364 days.

At the date of this Base Prospectus, the total amount of Liquidity Facilities granted was 31.6 million euros.

(ii) *Pricing of facilities granted*

Pricing of Liquidity Facilities is set according to the Local Authority's final score. The Price comprises a non-use commission (which does not change in line with a Member's final score), a drawdown commission and a margin to account for risk, approved by the Issuer's Credit Committee on the basis of the final rating of the Local Authority Member.

(iii) *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.

c) 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.

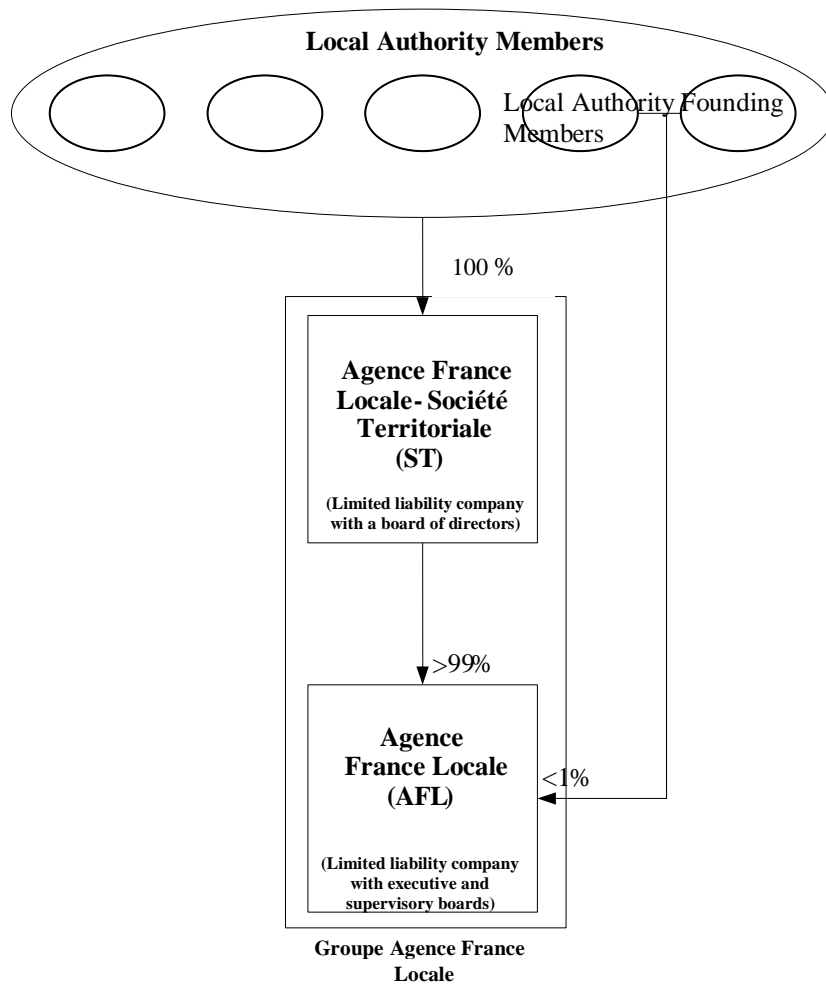
This is why the Issuer has decided not to have a sales agency in each region. It has a streamlined sales team and all of its employees are headquartered in Lyon, France.

Loan requests can 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.

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**). At the date of the Base Prospectus, the Founding Members holding the remaining 10 shares are as follows:

- Région Pays de la Loire ;
- Département de l'Essonne ;
- Département de l'Aisne ;
- Département de la Savoie ;
- Métropole de Lyon ;
- Métropole Européenne de Lille ;
- Valenciennes Métropole ;
- Commune de Bordeaux ;
- Commune de Grenoble; and
- Commune de Lons-le-Saunier.

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.

In order to take into account the joint recommendations of AFL's Supervisory Board and ST's Board of Directors on changes in the Agence France Locale Group's governance, in accordance with the new provisions of article L.225-1 of the Commercial Code, and pursuant to clause 15 of the Agence France Locale Group shareholders' agreement, the principle of the sale of the single share held by each of the Founding Members to ST, other than the *Métropole de Lyon*, was ratified.

Once all of these sales have completed, which is due to take place by no later than the end of the current financial year, ST will have control of the Issuer to an extent that will enable it to benefit from the provisions of article L.225-87 of the Commercial Code and the agreements entered into between the Issuer and ST will accordingly fall outside the scope of the related party transaction regulations.

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 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, 14 4 084 489 and 16 4 322 032.

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.

Following a fall in the debt market between 2012 and 2014 (17.93, 16.83 and 16.2 billion euros respectively¹), the Issuer anticipates that Local Authority borrowing will stabilise. The decline in State allowances to the Local Authorities has led in particular to a fall in investment expenses. Nevertheless, given the reduction in the ability of Local Authorities to meet their own funding requirements, borrowing is, for many of them a useful tool or alternative. In 2015, borrowing totalled 17.6 billion euros. Standard and Poor's estimates for 2016 point to a decrease in borrowing (around 16 billion euros) compared to forecasts. Finally, for 2017, based on increased investment spending (+ 2.9%²), borrowing should increase but remain under control at less than 18 billion euros³. The Issuer anticipates that borrowing will thereafter stabilise at around an average amount of over 16 billion euros.

While between 2008 and 2013 Local Authorities made limited use of borrowing, since 2015, it is noted that loan conditions for Local Authorities have become more flexible, with lower rates of borrowing, abundant liquidity and the return of certain lending institutions, etc.

In spite of the improvement in the loan market, small Local Authorities and those in a difficult financial situation continue to face difficulties in accessing loans. To better take these situations into account, the Issuer's rating and loan policies include, in particular, some analysis of the structure of Local Authorities' debt and solvency.

¹ Source: DGCL "local authorities key figures", annual report 2015, pp 9, 42 et seq.

² Source : Cour des Comptes, « Public finances overview, end January 2017 », Annual report, February 2017, p17.

³ Source : Standard & Poor's " French local authorities: the moment for relaunching investment? ", 20 February 2017, p3

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 or the direct intervention of funding insurers, which have emerged since 2011, offer another alternative reserved for large-sized municipalities, one of the eligibility requirements being the amount of debt¹. This alternative solution remains small in scale for now.

The Issuer was not created specifically for a certain type of Local Authority and while the majority of the first Members are, large-sized Local Authorities (such as *Grand Lyon* or *région Pays de Loire*), it now welcomes Local Authorities of all sizes, and particularly small-sized Local Authorities.

4.1 Local Authorities' involvement in the decrease in government spending

(a) Outline of relevant measures

Following a freeze between 2012 and 2017 under the law of 31 December 2012 *on planned public finances for 2012 to 2017*, State allowances to Local Authorities (specifically the global operating grant (*Dotation Globale de Fonctionnement, DGF*) were reduced by 1.5 billion euros in 2014 by the Finance Act dated 29 December 2013. The law of 29 December 2013 *on planned public finances for 2014 to 2019* confirmed the fall in State financial support as part of Local Authorities' contribution to the recovery of public accounts by 3.67 billion euros in 2015, 2016 and 2017. The government had therefore planned a total reduction of 11 billion euros for these allowances between 2015 and 2017. This amount was reduced to 10 billion euros after the adoption of the Finance Act 2017 n° 2016-1917 dated 29 December 2016 which provides for the halving of the effort required of communes and EPCI with autonomous taxation powers, resulting in a decrease in the contribution by the "commune bloc" towards the restoration of the public finances in 2017 of around 1 billion euros. The global operating endowment (DGF) paid in 2017 should be of around 30 billion euros (compared to around 40.5 billion euros 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. Despite the efforts of the Local Authorities leading to a fall in their operating expenses, the short-term consequence of this measure is an automatic decrease in the self-financing capacity of the Local Authorities.

Confronted with this downtrend in their self-financing capacity, Local Authorities have tended overall to control their operating expenditure and reduce their investment expenditure. Local Authority financing requirements in 2015 totalled 17.6 billion euros compared to 16.3 billion euros in 2014². In a report dated February 2017, S&P estimates that local authorities and tax-raising EPCI borrowed 16 billion euros in 2016³. In anticipation of

¹ 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>.

² Source : Observatoire des finances locales, « *Local authority financing in 2016 – Situation report* », July 2016, p. 58 : http://www.collectivites-locales.gouv.fr/files/files/ofl_2016.pdf

³ Source : Standard & Poor's " *French local authorities: the moment for relaunching investment?* ", 20 February 2017, p3

a relaunch of capital spending, the rating agency forecasts an increase in borrowing during 2017 and 2018 but which will remain “*under control at less than 18 billion euros*”¹.

The latest publications, and in particular from the *Cour des Comptes*, show that in recent years, Local Authorities have demonstrated an ability to cope with the fall in State grants by better controlling their operating expenditure and by adjusting their capital expenditure. The overall financial situation of Local Authorities is therefore relatively favourable, with a few individual exceptions where the situation has deteriorated. Also, the Issuer will continue to remain alert to new developments by looking closely at changes in their ratings each time they come before its 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 du Grand Lyon² were established with effect on 1 January 2015, replacing the pre-existing urban authorities. The Aix-Marseille and Grand Paris metropolitan areas came into effect on 1 January 2016.

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.

Following the publication, on 22 April 2016, of the decree establishing it, Nancy became the 14th French *métropole* on 1st July 2016.

- **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 NOTRe Law** mainly provides for:
 - the deletion of the general powers clause for departments and regions,
 - increased powers for the regions in the area of economic development and the management of sustainable planning,
 - decreased powers for the departments which retain responsibility for social and territorial services, and departmental roads,
 - a new intercommunal map; beginning on 1 January 2017 Groupings should reach the threshold of 15 000 inhabitants compared with 5 000 currently,

¹ Source : Standard & Poor's " *French local authorities: the moment for relaunching investment?* ", 20 February 2017, p3

² With the exception of the Métropole du Grand Lyon which is a special-status local authority.

- the postponement until 1 January 2020 of the compulsory transfer to the joint municipalities and conurbations of municipal powers in water and sanitation.

(b) Analysis of the potential impacts on the Issuer

The clarification of competences and the abolition of the general competence clause do 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") will 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 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 powers at department level will have a limited impact on the Issuer as the major investment powers (in roads and secondary schools) have remained under the remit of the departments. At the date of this Base Prospectus, the Members include five *départements* (Aisne, Ariège, Essonne, Meuse 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

This section sets out the strategic and financial objectives that the Issuer has defined under its new business plan for 2017 and 2018.

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 in view of the changing conditions in which it operates. However, irrespective of its will, the Issuer may suffer an external shock, which is discussed in paragraph 5.3 (Sensitivity Analysis) below, caused by an increase in financing costs of 15 basis points leading to an increase in debt service costs paid by the Issuer, which the latter would not be able to pass on to borrowers due to the ongoing market conditions characterized by abundance of credit supply to local authorities.

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

5.1 Assumptions

The Issuer's business plan for 2017 and 2018 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 of a market volume of 16 billion euros.

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

| Year | 2017 | 2018 |
|------------------------|------|------|
| Market share objective | 4% | 5% |

(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 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 the reform of the local authority map, mergers between communes and the decrease in the number of regions.

| Year | 2017 | 2018 |
|--|------|------|
| Objective for aggregate capital commitments at 31 December (in € million) | 141 | 151 |
| Objective for aggregate actual contributions (in € million) (consolidated equity) at 31 December | 131 | 136 |

These totals equate to the share capital of the Issuer's parent company, it being noted that 95% of such capital contributions have been passed down to the Issuer.

(c) Lending

The business plan contains an assumption related to lending which provides that the Local Authorities will essentially be offered loans repayable over a 15 to 20 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, whilst taking into consideration the current environment of surplus liquidity in the banking and financial system.

The making of long term loans is related to the assumption that equity will grow and therefore new members will be recruited. In addition to the volume of loans resulting from annual borrowings by Member Authorities, the Issuer will seek to acquire loans that have been entered into by its Members with other financial institutions wishing to sell them.

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:

| Year | 2017 | 2018 |
|---|-------------|-------------|
| Loan production target (in € million) | 540 | 660 |
| Outstanding loan target (in € million) | 1 359 | 1 910 |

(d) The Issuer's financing and hedging costs

The Issuer's business plan was based on the assumption of an issuer spread in line with that of the bond issues made since it began operating in March 2015, which represents a rate slightly and constantly distinct from that of financial institutions similar to the Issuer. The Issuer's financing strategy aims to draw investment from the international capital markets and primarily the euro debt market through the regular issuance of bonds of standard maturities, size and type, in addition to private placements which allow the Issuer to optimise its asset-liability management and overall costs of funding and also euro commercial paper issues on the money markets.

In line with its interest and exchange rate hedging policy, the Issuer uses interest rate swaps to have a diverse mix of fixed rate versus 3 month Euribor assets and liabilities on its balance sheet, as well as currency swaps for debt instruments or securities on the asset side of the balance sheet denominated in foreign currencies.

Consequently, the business plan stimulates potential margin calls on the basis of the maximum potential consumption of collateral linked to the Issuer's derivative portfolio. Maximum consumption is calculated as a proportion of the amount of the derivative portfolio calculated on the basis of the maximum margin calls observed over a 30-day period, since the start of the Issuer's activities.

(e) Yield on assets in the liquidity reserve

The business plan is designed around an assumption related to the yield of assets comprising the liquidity reserve which provides that the yield is the result of a neutral carry of the resources funding such assets, measured against 3 month Euribor.

(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 | 2017 | 2018 |
|---|-------------|-------------|
| Expected operating expenses (in € million) | 11.4 | 11.8 |

Operating expenses for 2017 and 2018 include residual development costs which are amortised according to IFRS standards over a maximum period of 5 years, while these costs were generally limited in 2014 and 2015, operating costs for 2017 and 2018 take into account a stabilisation of payroll costs, continued investment in IT systems required as all of the Issuer's operational activities are rolled out and the increased cost associated with the Single Resolution Fund tax.

(g) Cost of risk

The business plan has been designed on a zero risk cost assumption.

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 in accordance with IFRS for the next two years. These forecasts do not reflect the application of accounting standards and interpretations applicable after 31 December 2016, in particular IFRS 9 on Financial Instruments, whose impact on the Issuer's cost of risk and own funds have not been quantified at this stage.

(a) Balance sheet items: 2017-2018 Objectives (millions of euros)

| | 2017 | 2018 |
|-------------------------------------|--------------|--------------|
| Customer loans and receivables | 1 360 | 1 910 |
| Liquidity reserve ¹ | 856 | 855 |
| Other assets ² | 39 | 41 |
| Total assets | 2 255 | 2 807 |
| Debt represented by a security | 2 150 | 2 700 |
| Other liabilities | 10 | 10 |
| Equity | 95 | 97 |
| Total liabilities and equity | 2 255 | 2 807 |

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

(b) Items included in income: 2017-2018 Objectives (millions of euros)

| | 2017 | 2018 |
|--------------------------------|-------------|-------------|
| Net banking income | 6.3 | 9.1 |
| Gross operating profits | -5.1 | -2.8 |

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

² This line corresponds to the aggregate intangible assets, deferred tax assets and collateral booked with counterparties and the clearing house, related to margin calls on derivative products as part of the Issuer's hedging policy.

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 one variation to the baseline scenario:

Fifteen basis point higher financing costs for the Issuer leading to significant transformation shortfall and increased costs for holding liquidity.

It should also be noted that:

- the objectives described in section 5.2 may be impacted by factors other than that listed above; and
- the contemplated variation concerns a change in the market conditions in which the Issuer operates, marked by higher funding costs, all else being equal, the other assumptions remaining unchanged.

(i) 2017-2018 main forecast balance sheet items (in millions of euros)

| | 2017 | 2018 |
|-------------------------------------|--------------|--------------|
| Customer loans and receivables | 1360 | 1910 |
| Liquidity reserve ¹ | 856 | 855 |
| Other assets ² | 37 | 37 |
| Total assets | 2 253 | 2 803 |
| Debt represented by a security | 2 150 | 2 700 |
| Other Liabilities | 9 | 9 |
| Equity | 94 | 94 |
| Total liabilities and equity | 2 253 | 2 803 |

(ii) Items included in 2017-2018 forecast income (in millions of euros)

| | 2017 | 2018 |
|--------------------------------|-------------|-------------|
| Net banking income | 4.7 | 6.9 |
| Gross operating profits | -6.7 | -5.0 |

5.4 Statutory auditors' report on profit forecasts for the financial years 2017 and 2018

KPMG AUDIT FS I

Cailliau Dedouit et Associés

¹ 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.

² This line corresponds to the aggregate intangible assets, deferred tax assets and collateral booked with counterparties and the clearing house, related to margin calls on derivative products as part of the Issuer's hedging policy.

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STATUTORY AUDITORS REPORT ON PROFIT FORECASTS FOR THE FINANCIAL YEARS 2017 AND 2018

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69393 Lyon Cedex 03

Mr President of the Executive Board,

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 years 2017 and 2018 of the company Agence France Locale included in paragraph 5.2 of the chapter “Description of the Issuer” of the Base Prospectus prepared for the purpose of the Euro Medium Term Note (EMTN) Programme.

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 IV, paragraph 9.2 of the EC Regulation N° 809/2004, on the adequacy of the preparation of these forecasts.

We have carried out the diligences that we have considered necessary with regard to the professional standards of the National Audit Authority (*Compagnie Nationale des Commissaires aux Comptes*) in relation to 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 Agence France Locale. 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 forecasts have been properly compiled on the basis specified;
- the accounting basis used in the preparation of these forecasts is consistent with the accounting methods applied by Agence France Locale for the preparation of its financial information in accordance with IFRS as adopted by the European Union on 31 December 2016, with the provision that the framework used does not incorporate the new accounting standards and interpretations applicable after that date;
- the calculation methods used have been correctly 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 20 April 2017

The Statutory Auditors

KPMG Audit FS I

Cailliau Dedouit et Associés

Ulrich Sarfati

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 paragraph 4.1 of the section entitled "Description of the Guarantors and the guarantee mechanism".

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> |
|---|---|--|---|--|
| | | | | |

| <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><i>Yves Millardet</i></p> <p>Born on 24 August 1964 in Vannes, France</p> | <p>Chairman of the Executive Board</p> <p>Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed by the Supervisory Board on 17 December 2013</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2019</p> | Deputy CEO of ST | None |
| <p>Philippe Rogier</p> <p>Born on 25 January 1965 in Toulouse, France</p> | <p>Member of the Executive Board</p> <p>Loan Officer</p> <p>Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed by the Supervisory Board on 17 December 2013</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2019</p> | None | None |
| <p>Thiébaud Julin</p> <p>Born on 16 September 1961 in Mulhouse, France</p> | <p>Member of the Executive Board</p> <p>Chief Financial Officer</p> <p>Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed by the Supervisory Board on 25 March 2014</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020</p> | None | None |
| <p>Ariane Chazel</p> <p>Born on 16 March 1970 in Paris France</p> | <p>Member of the Executive Board</p> <p>Risk, Compliance and Control Director</p> <p>Corporate officer pursuant to Article L. 511-13 of the French Financial and Monetary Code</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed by the Supervisory Board on 5 June 2017 to take effect no later than 17 September 2014</p> <p>Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020</p> | None | None |

(b) Supervisory Board directors

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

| First and Last names Date and place of birth | Duties and any special powers Professional address | Date of first appointment and end of term | Terms of office and duties performed within the Group since the Issuer's incorporation | Terms of office and duties performed outside the Group since the Issuer's incorporation |
|---|--|--|---|---|
| Mr Richard Brumm Born on 20 October 1946 in Lyon (69006) | Chairman of the Supervisory Board Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France | Coopted by the Supervisory Board on 20 June 2016 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 ST's Board of Directors | <ul style="list-style-type: none"> – Honorary <i>Avocat</i>. – Assistant Mayor Head of Public Finances– City of Lyon. – Elected (<i>communautaire</i>) representative – Vice-president responsible for Finance – Métropole de Lyon – Elected (<i>municipal</i>) representative- Assistant Mayor, Head of Finance and General Administration– City of Lyon |
| 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 | Director General of services for the <i>Association des Maires de France</i> (Association of the Mayors of France) |
| Olivier Landel Born on 9 January 1963 in Paramé (Saint-Malo), France | Member of the Supervisory Board Member of the Audit 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 | Executive Director of <i>France Urbaine</i> |
| Lars Andersson Born on 27 March 1952 in Sweden Independent member | 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 | Founder and chairman of AB Marten Andersson Productions (AB MA Productions) |
| Victoire Aubry-Berrurier Born on 5 June 1966 | Member of the Supervisory Board Member of the Audit | Appointed under the articles of incorporation dated 17 December | None | – Member of the Executive Committee of Icade, |

| First and Last names Date and place of birth | Duties and any special powers Professional address | Date of first appointment and end of term | Terms of office and duties performed within the Group since the Issuer's incorporation | Terms of office and duties performed outside the Group since the Issuer's incorporation |
|--|--|--|---|--|
| in La Roche-sur-Yon, France Independent member | and Risks Committee Tour Oxygène, 10-12 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 | | head of Finance, SI and Legal division – Director of ICADE MANAGEMENT (GIE) (318 607 207 RCS Paris) – Director of Deux Alpes Loisirs (SA) (064 501 406 RCS Grenoble) |
| François Drouin Born on 7 August 1951 in Quierschied, Germany Independent member | Member of the Supervisory Board Member of the Audit 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 | – 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) – Chairman of the Board of Directors of Société Française du Tunnel Routier du Fréjus (SEM) (RCS Chambéry no. 962 504 049) – Vice-chairman of the Board of Directors of BPI France (SA) (RCS Créteil no. 320 252 489) |
| Nicolas Fourt Born on 22 September 1958 in Nancy, France Independent member | Member of the Supervisory Board Member of the Audit 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 | – Deputy Chief Executive Officer and director of Acofi Gestion (SA) (RCS Paris no. 415 084 433) – Chief Executive Officer of Alfafinance Analytics And Advisory (SAS) (RCS Paris no. 523 571 218) – Chairman of Migus & Associés (SAS) (RCS Paris no. 501 228 647) – Director of Acofi Holding (SAS) (RCS Paris no. 510 571 995) – Director of Denis Friedman Productions (SA) (RCS Paris no. 409 756 350) |

| <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"> – Manager of Misty (EURL) (RCS Paris no. 484 135 603) – Manager of Migus Conseil (SARL) (RCS Paris no. 519 192 512) – Manager of NF Conseil (SARL) (RCS Nanterre no.519 411 441) – Director of Alfafinance (SAS) (RCS Paris no. 751 891 748) |
| <p>Daniel Lebègue Born on 4 May 1943 in Lyon, France</p> <p>Independent member</p> | <p>Member of the Supervisory Board</p> <p>Member of the Appointment, Compensation and Corporate Governance Committee</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed under the articles of incorporation dated 17 December 2013</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 | <p>Chairman of the <i>Observatoire sur la responsabilité sociétale des entreprises (ORSE)</i> (Corporate Social Responsibility Observatory)</p> |
| <p>Dominique Schmitt Born on 2 June 1948 in Strasbourg, France</p> <p>Independent member</p> | <p>Member of the Supervisory Board</p> <p>Member of the Strategic Committee</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon, France</p> | <p>Appointed under the articles of incorporation dated 17 December 2013</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"> – Adviser to the President of the <i>Département des Alpes Maritimes</i> (06), Mr Eric Ciotti – Assistant Mayor of Cagnes-sur-Mer – Member of the metropolitan council of Nice Métropole |
| <p>Mrs Mélanie Lamant Born 23 August 1975 in Croix (59170)</p> | <p>Member of the Supervisory Board</p> <p>Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon</p> | <p>Coopted by the Supervisory Board on 23 March 2017</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 | None |

6.2 Conflicts of interest

As of the 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

In accordance with article 16.4 of the Issuer's articles of association, the Supervisory Board determines the nature and amount of compensation paid to each member of the Executive Board and reviews it on an annual basis.

It is noted that the Issuer did not provide any share purchase or subscription options to the members of the Executive Board in 2015. Likewise, no performance shares were allocated to members of the Executive Board in the last financial year.

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 four (4) 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 3 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 4 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 5 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 6 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 7 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) Documentation obligation (Article 8 of the internal rules of procedure)

The Supervisory Board is entitled to useful, complete, relevant, timely and honest information.

The Supervisory Board as a whole, together with each of its members in an individual capacity, can request any documents they believe to be useful or necessary to their work.

Members of the Supervisory Board have an obligation to obtain relevant documents and in turn they are entitled to obtain the information they request.

Members of the Supervisory Board address their requests for information to the Chairman of the Supervisory Board, who is tasked with ensuring that such requests are met.

The Supervisory Board must inform the Executive Board where is it not able to carry out its work with full knowledge of the relevant information.

Throughout the activities of the Issuer, each member of the Supervisory Board must alert the Supervisory Board and the Executive Board of any specific and urgent situations.

(vii) Training obligation (Article 9 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 defines the overall strategic plan and 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;

- dismissal of the chairman of the Executive Board from his position;
- dismissal of members 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 Issuer 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 Issuer'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 Issuer 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 Issuer'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 IV 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, as so advised by the Appointment, Remuneration and Corporate Governance Committee.

The Issuer's mixed general meeting on 3 May 2016 set the maximum overall amount of attendance fees to be distributed among the members of the Supervisory Board at €163,333 (one hundred and sixty-three thousand three hundred and thirty three euros) for the 2016 financial year.

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.

The total amount of attendance fees is paid, first, to the following members:

- (i) The Chairman of the Supervisory Board, who receives
- a fixed amount of €10,000 except in the case of excessive absence; and
 - a variable amount capped at €20,000 per year (allocated on the basis of how regularly he has attended),

- (ii) The Chairman of the Audit and Risk Committee, the Chairman of the Remuneration, Appointments and Corporate Governance Committee and the Chairman of the Strategic Committee, who each receive
- a fixed amount of €5,000 except in the case of excessive absence; and
 - a variable amount capped at €20,000 per year (allocated on the basis of how regularly each has attended).

The distribution of the annual overall amount of attendance fees includes, for each member:

- A fixed amount of €5 000 except in the case of excessive absence;
- A variable amount capped at €10 000 per annum (allocated on the basis of how regularly a member has attended); and
- An additional maximum amount of €5 000 for committee members, depending on their effective participation.

It is possible for members of the Supervisory Board to be given exceptional remuneration as a function of the different activities they may be tasked with in addition to their usual role on the Supervisory Board.

Notwithstanding the above, in accordance with the legal regime of incompatibilities governing holders of a national elected mandate as defined in the French Electoral Code, no attendance fees may be paid, in any circumstances, to members of the Supervisory Board who also hold national elected office.

Members of the Supervisory Board can be reimbursed reasonable expenses incurred in the exercise of their functions provided they provide relevant receipts (for travel, accommodation and meals) as well as other expenses incurred exclusively in the exercise of their mandate and in the interest of Agence France Locale. Expenses claims are addressed to the Secretary of the Supervisory Board who checks the receipts and reimburses any amounts owed and who keeps available for members of the Supervisory Board an annual statement of expenses and fees reimbursed.

The Issuer's ordinary annual general meeting which reviewed the 2015 financial statements will once again have to review the annual total amount of attendance fees and, in particular, the attendance fees paid to the Chairman of the Supervisory Board, in order to take account of the specific nature of his role.

The Appointment, Remuneration and Corporate Governance Committee and the Executive Board of ST give their prior decision on any potential re-evaluation of the annual attendance fees paid to the Chairman of the Supervisory Board.

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 and Risks Committee;
- the Appointment, Compensation and Corporate Governance Committee; and
- the Strategic Committee.

(a) The Audit and Risks Committee

(i) Membership of the Audit and Risks Committee

The Audit Committee has at least three members, including its chairperson, who are chosen by the Supervisory Board from amongst its 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.

As at the date of this Base Prospectus, the members of the Audit Committee are as follows:

- Mr François Drouin, independent member of the Supervisory Board, chairman of the Audit Committee, appointed by the Supervisory Board on 17 December 2013;
- Mrs Victoire Aubry, independent member of the Supervisory Board, appointed by the Supervisory Board on 17 December 2013;
- Mr Nicolas Fourt, independent member of the Supervisory Board, appointed by the Supervisory Board on 17 December 2013;
- Mr Olivier Landel, independent member of the Supervisory Board, appointed by the Supervisory Board on 17 December 2013.

(ii) Responsibilities of the Audit 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 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 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 AFEP and the MEDEF in 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.

(i) Balanced representation of men and women on boards (Article 6.2 of the AFEP-MEDEF Code)

The AFEP-MEDEF Code recommends a balanced representation of men and women on the Supervisory Board.

As of the date of this Base Prospectus, the Issuer's Supervisory Board includes one woman and nine men representing a 10/90 ratio.

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.

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 35.3% to 64.7% among employees as of the date hereof.

(ii) 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.

- (iii) Waiver of shares to be held by the Supervisory Board members (Article 14 of the AFEP-MEDEF Code)

Finally, contrary to the recommendations 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 Local Authority shareholders in ST.

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. LEGAL AND ARBITRATION PROCEEDINGS

Please see paragraph 7 of the General Information section of this Base Prospectus.

10. ADDITIONAL INFORMATION

As of the 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 date of this Base Prospectus, the Issuer's share capital amounted to €127,500,000, divided into 1,275,000 shares of a par value of €100.00 each, all of the same class and fully subscribed and paid up.

10.2 Indebtness represented by securities

As of 31 March 2017, in accordance with IFRS as adopted by the European Union, the Issuer's indebtedness represented by securities amounted to 1,782,741,617 euros.

10.3 Memorandum and articles of association

As of the 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 carrying out all or part of the transactions described in accordance with the license's terms, including:
 - 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 Issuer'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, there are no material agreements (other than contracts entered into in the ordinary course of business) that confer rights, or place obligations, on the Issuer that may have a material impact on the Issuer's ability to perform its obligations to the Noteholders under the Notes.

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 the company 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 an agreement with SAB Services and an agreement with Worldline which are due to expire on 31 March 2024.

Given the SaaS and managed services models that have been selected, some of Agency France Locale'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 outsourcing of the Issuer’s middle/back office activities

The Issuer has decided to outsource some functions to Société Générale Securities Services, an external provider.

This outsourcing relates to collateral management, the management of the Issuer’s EMIR obligations, management of the administration of market and lending transactions and the holding of notes.

For these purposes the Issuer has signed a contract package with Société Générale group entities. Société Générale Newedge UK acts as clearing broker with regard to the management of collateral through clearing.

11.3 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 have a facility allowing for periodic checks. As set forth in the Issuer’s Internal Control Charter, the purpose of the periodic checks is to verify the implementation and efficiency of the procedures for risk management, compliance and permanent control. This arrangement is governed by a 3-year contract. The facility is implemented in accordance with a three-year plan which aims to cover all of the Issuer’s tasks and functions, focussing on the main areas of risk. It provides quarterly reviews and monitoring of recommendations, and it generates an annual summary for review by governance bodies.

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).
- 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 (debt instruments denominated in foreign currencies) and asset positions (securities denominated 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 to the extent possible from unintended market fluctuations.

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 and liquidity reserve assets (with maturities equal to or greater than 1 years) to convert them into floating-rate debt and assets 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 or for loans of any size with constant amortisation of capital plus interest, the Issuer will use a macro-hedge on this set of loans);

The Issuer is exposed to the interest rate risks associated with employing its own funds to grant fixed rate unhedged loans to local authorities. The resulting interest rate risk exposure is restricted by the sensitivity of the Issuer's net present value,

which measures the impact of a rate shock on discounted cash flow variations for all assets and liabilities on the Issuer's balance sheet.

(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 bond issues in foreign currencies and to foreign currency-denominated assets that it is likely to buy. 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, 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 target Net Stable Funding Ratio (NSFR) of over 150%.

12.2 Investment policies for liquid assets

In accordance with good management practice, liquidity policy-based management guidelines and regulation, the Issuer has a liquidity reserve comprising high quality assets, which represents the proportion of resources not paid out as loans and retained to ensure liquidity. Further, 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
- interest rate hedging.

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, the operational portfolio, which is invested in a range of products including bank deposits and liquid and creditworthy securities with maturities of less than one year; and
- a compartment to ensure that there is sufficient cash and cash equivalents over the medium term, the placement portfolio, which will be invested in fixed-rate and floating-rate debt issued mainly from the public sector in the European Economic Area, North America or OECD countries 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 in order to neutralise the effects of an unfavourable change in interest rates on the value of these notes.

At least 70% of liquidity fund securities, according to the Issuer's management guidelines, bear the HQLA or highly liquid hallmark. Moreover, the vast majority of the securities have access to European Central Bank refinancing.

The Issuer's liquidity management system is inspired by that used in the leading government agencies for local government funding as well as in multilateral development banks. It has proved to be effective in ensuring these institutions' liquidity faced with numerous market factors, whilst 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.

(ii) Leverage ratio

The leverage ratio's numerator is the Core Tier One equity and its denominator is total assets. The Issuer has set as its target, a ratio of higher than 3.5%.

A proposal to amend Regulation (EU) No. 575/2013 of the European Parliament and Council dated 26 June 2013 on the requirements applicable to credit institutions and investment firms was published by the European Commission on 23 November 2016. Its aim is to introduce into European law a leverage ratio as a prudential requirement. In the detail of these proposals, it should be noted that Article 429a excludes certain public development bank exposures from the calculation basis of this ratio (in particular, loans granted to local authorities, exposure arising from assets constituting claims on regional and local governments or public sector entities in connection with public sector investments), accordingly, loans granted to local authorities would be excluded. Public development banks are defined as credit institutions that satisfy a number of conditions, including the following. They are created by a government or a regional or local government, their activity is limited to the implementation of public policies, their objective is not to maximize profit. Regional or local government is under an obligation to ensure that the institution remains viable. This text is currently under discussion prior to a vote in the European Parliament, on a date as yet unknown at this stage but which could occur in 2019 or 2020.

If the Issuer were deemed to be a public development bank, the implementation of this reform could result in a significant increase in the Issuer's leverage ratio in so far as it only grants loans to French local authorities.

(iii) Liquidity requirements

The 30-day Liquidity Coverage Ratio (LCR) is to ensure that each institution maintains a sufficient level of high-quality assets, easily transformable into liquidity, to meet its actual or potential commitments 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%.

(b) Solvency ratio at 31 December 2016

At 31 December 2016, the Issuer's prudential ratios were as follows:

- a "Common Equity Tier One" ratio of 30.57%;
- a leverage ratio of 5.39%;
- an LCR ratio of 695%; and
- a NSFR ratio of 173%.

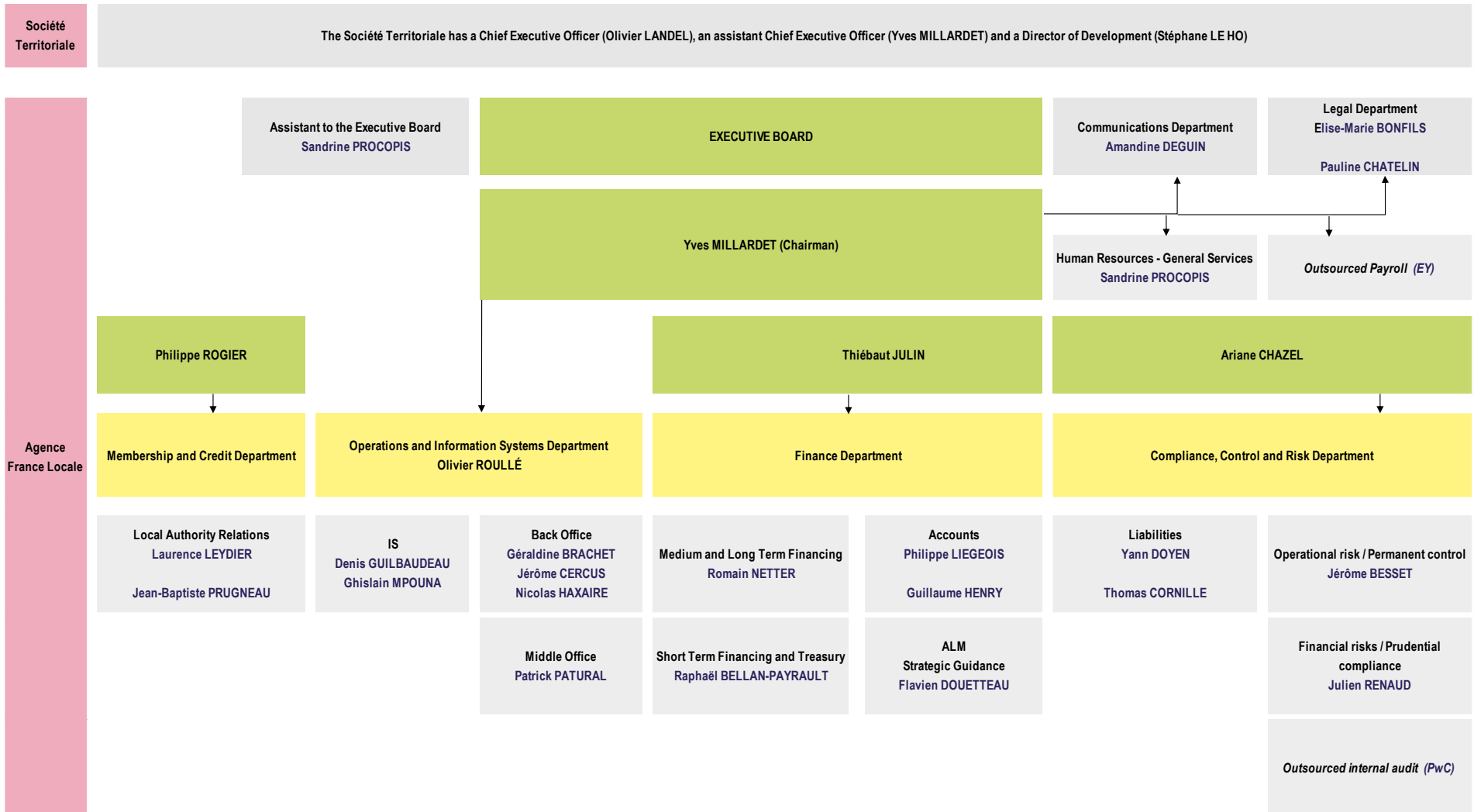
12.4 Organisational structure

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 24 employees. According to the Issuers' current estimates this number will gradually increase over time, in line with its activity.

xxxNovember 2016 table - please see separate excel file

AGENCE FRANCE LOCALE - Organisational Structure Chart // November 2016



DESCRIPTION OF THE GUARANTORS AND THE GUARANTEE MECHANISM

DESCRIPTION OF THE GUARANTEE MECHANISM

The Notes issued by the Issuer benefit from a dual guarantee mechanism granted by (i) each of the Members, the Member Guarantees, and (ii) ST, the ST Guarantee:

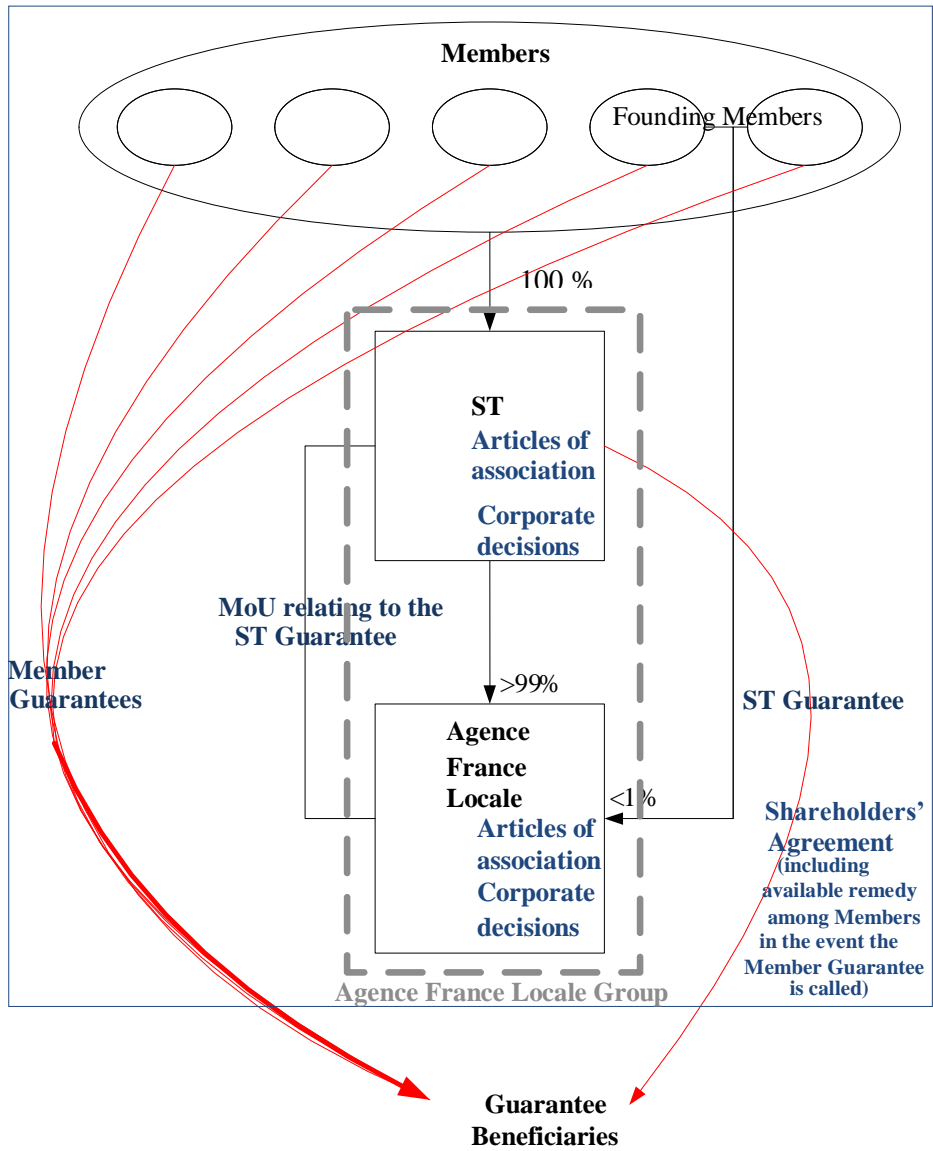
- at the time of subscribing to a Medium-Long Term Loan with the Issuer, each Member grants a guarantee commitment capped at a level equal at all times to the total amount of its outstanding Medium-Long Term Loans *vis-à-vis* the Issuer;
- ST grants a guarantee the amount of which changes periodically. For each Tranche of Notes issued under the Programme the Individual Ceiling (as defined in section 3.2 Risks related to the ST Guarantee) of the ST Guarantee is disclosed in the Final Terms relating to the relevant issue and may not be less than the total amount of the issue.

The business plan actually indicates, without constituting a commitment from the Issuer, that approximately 70% of the total amount of borrowings issued by the Issuer on the market (including Notes issued under the Programme) will be used to extend Medium-Long Term Loans to Members. The remaining 30% will be held back both to ensure that the Issuer has available cash resources, in accordance with its regulatory obligations and good management practices and to enable Liquidity Facilities to be offered to Members on the terms and subject to the limits set by the Issuer's financial policies, as set out in paragraph 2.5 of the Description of the Issuer section.

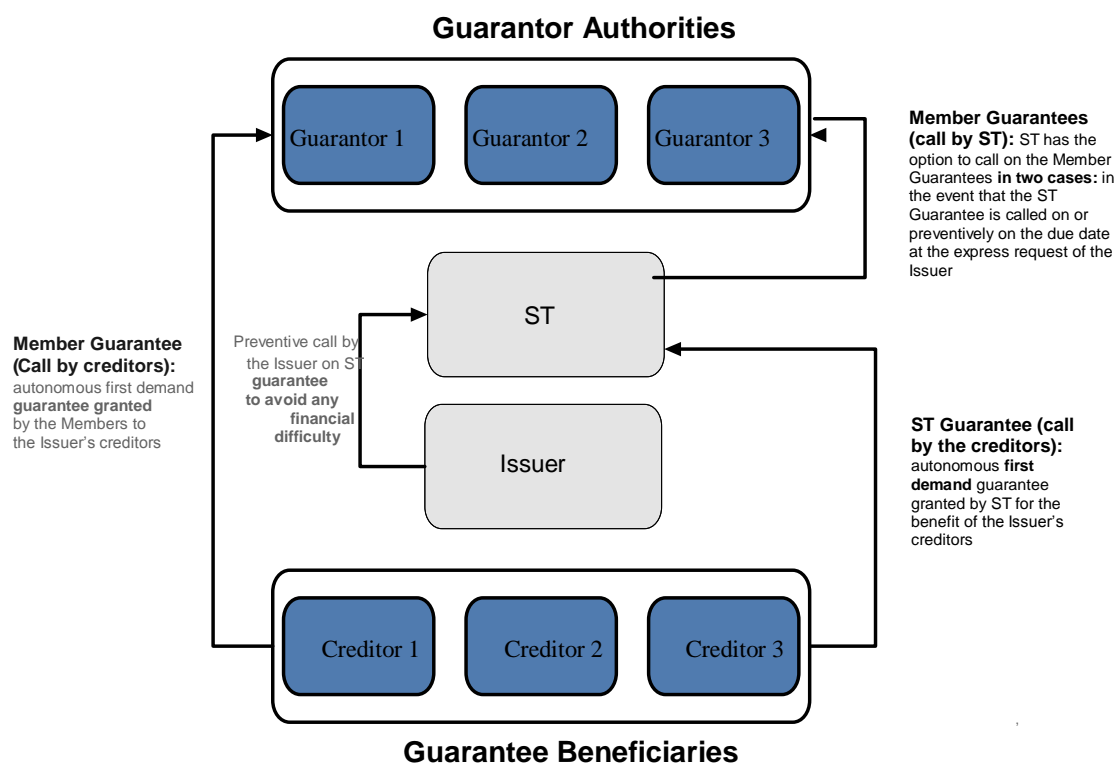
In terms of the ST Guarantee, the total guaranteed amount under the ST Guarantee is expected to be at least equal to the amount of funds raised by the Issuer on the capital markets principally through the issuance of bonds under the Programme and notes issued under the Issuer's euro commercial paper programme as well as other financial commitments (such as banking facilities and hedging contracts) that the Issuer has entered into and which both benefit from the ST Guarantee.

The total amount guaranteed under the ST Guarantee cannot in any circumstances be greater than a maximum amount set by ST's Board of Directors (the **ST Guarantee Maximum Ceiling**). The ST Guarantee Maximum Ceiling has been increased by a decision of ST's Board of Directors on 16 February 2017 and thereby raised from 3,500,000,000 euros to 5,000,000,000 euros.

An overview of the contractual framework of the guarantees is presented below:



An overview of how the guarantees operate is set forth below:



1.1 Member Guarantees

The description of the Member Guarantee set out below represents version 2016.01 of the Member Guarantee set out in this Base Prospectus which entered into force on 30 April 2016 (the **Date of Entry into Force**). It replaces version 2014.01 of the Member Guarantee set out in the Base Prospectus dated 6 March 2015 (see paragraph (c) “Changes to the model of Member Guarantee” below for more details) on the Date of Entry into Force. Notes issued after the Date of Entry into Force benefit from version 2016.01 of the Member Guarantee or any other replacement Member Guarantee in accordance with clause 2.3 of version 2016.01 of the Member Guarantee.

(a) Principle

Each Medium-Long Term Loan granted by the Issuer to one of its Members is contingent upon a guarantee commitment by such Member for a maximum amount corresponding to such funding.

The entry into a Liquidity Facility does not lead to the granting by the beneficiary Member of a guarantee. Indeed, the Member Guarantee is only intended to guarantee Beneficiaries up to the amount of the Medium-Long Term Loans drawn down by the relevant Member from 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 Medium-Long Term Loans extended by the Issuer to its Members. As of the date hereof, the amount of outstanding Medium-Long Term Loans stands at 1,138 million euros, 114 Local Authorities having entered into a Medium-Long Term Loan.

Each guarantee commitment signed by a Member specifies an initial ceiling which represents the maximum amount of Medium-Long Term Loans granted to such Member as well as the expiry date of such commitment.

The guarantee commitments stem from an autonomous first demand guarantee defined by ST's Board of Directors upon a proposal from the Issuer's Executive Board with a recommendation from its Supervisory Board, which Members must comply with. The guarantee commitments based on the same version of Member Guarantee are therefore all identical.

Moreover, each version of Member Guarantee must be approved by the deliberating assembly of each Member before it can be granted.

(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;
- Its beneficiaries are the Beneficiaries. Beneficiaries are the holders of any issued instruments or the 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. Hence, all of the holders of the instruments issued under the Programme are covered by the Member Guarantees; and
- The activation of the Member Guarantee by a Beneficiary, by the representative of Beneficiaries or by ST is contingent upon complying with the proper form and time period prescribed in such guarantee, failing which it is invalid.

In the interest of full disclosure to the Beneficiaries, each Member's outstanding Medium-Long Term Loans *vis-à-vis* the Issuer and therefore the maximum amount of their guarantee is published each Business Day (as defined in the model Member Guarantee set out below) on the Issuer's Website¹.

In addition, there is a specific early call system for the Member Guarantee which may be activated by ST in order to prevent potential financial difficulties.

The option to call the Member Guarantee is extended to ST in the following cases:

- call of the ST Guarantee; and
- request to this effect from the Issuer.

The guarantee calls made by ST on the Member Guarantees are neither for its benefit nor that of the Issuer: they are made on behalf of the Beneficiaries. The sums received from these calls will be deposited in an escrow account opened in the name of ST with the CDC. In accordance with the instructions that ST is to give to the CDC (article 9.4.3 of the Member Guarantee), the amounts deposited in the account will be directly paid to the

¹ Where there are several versions of a Member Guarantee in existence for the same Member, such Member's outstanding Medium-Long Term Loans published on the Issuer's Website will show, for each version of the Member Guarantee, the relevant amount of outstanding Medium-Long Term Loan guarantee under that version.

Beneficiaries on the due date of their receivable. 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 on the ST Guarantee, activating the Member Guarantee, 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, the Beneficiary has the option of either claiming against a single Member for the full amount of its request¹ (subject to such Member's applicable guarantee ceiling) or to distribute the amount of the request among several Members. The total of the amounts activated by a Beneficiary under the Member Guarantees may not exceed the total amount due to such Beneficiary.

- (c) Changes to the model of Member Guarantee

Principles

According to the Shareholders' Agreement, any change to the model of Member Guarantee must be approved by ST's Board of Directors, upon a proposal by the Issuer's Executive Board following a recommendation of its Supervisory Board.

Where the model of Member Guarantee is amended, Local Authorities that were already Members at the date of entry into force of the new model will be bound by the new model of Member Guarantee (the **New Model of Member Guarantee**) with regard to any guarantee signed after the date of entry into force of the New Model of Member Guarantee (the **Date of Entry into Force of a New Model**).

- **Consequences of the introductions of a New Model of Member Guarantee on the Member Guarantee attached to Notes issued before the Date of Entry into Force of a New Model**

Noteholders of a Tranche issued before the Date of Entry into Force of a New Model will benefit until the signing of any new Member guarantee commitment signed under the New Model of Member Guarantee, of Member guarantee commitments governed by the previous Model of Member Guarantee (the **Previous Model of Member Guarantee**).

Beginning on the signing date for any Member guarantee commitment signed under the New Model of Member Guarantee and until the signing date of any Member guarantee commitment signed under any model of Member Guarantee replacing the New Model of Member Guarantee, the abovementioned Noteholders will benefit from guarantee commitments governed by the New Model of Member Guarantee.

However, in accordance with clause 2.3 of the 2016.01 Model Member Guarantee, where a call is made with regard to a Member guarantor having entered into Member Guarantees governed by several models of Member Guarantee, the Noteholders benefitting from guarantee commitments governed by the Previous Model of Member Guarantee, may for each Member, up to the total outstanding Medium-Long Term Loans of such Member, choose between the Previous Model of Member Guarantee or any subsequent Model of Member Guarantee accepted by such Member guarantor in a

¹ Such request to correspond to the Beneficiaries' debt to the Issuer.

subsequent guarantee commitment; it being noted that any guarantee call may only refer to one model of Member Guarantee.

- **Consequences of the introduction of a New Model of Member Guarantee on Notes issued after the Date of Entry into Force of a New Model**

Holders of Notes issued after the Date of Entry into Force of a New Model will benefit, for each Member, up to the total amount of the outstanding Medium-Long Term Loans of such Member, from the guarantee commitments governed by the New Model of Member Guarantee until the signing date of any Member guarantee commitment signed under the any model of Member Guarantee replacing the New Model of Member Guarantee.

Entry into force of Member Guarantee model 2016.01, which supersedes Member Guarantee model 2014.01

The Issuer has expanded its offer by proposing Liquidity Facilities to Local Authorities, to allow the Local Authorities to optimise their liquidity management through daily drawdowns and repayments.

As such, the Issuer wanted to distinguish short term products linked to liquidity loans from medium and long term products and to reflect this change in its legal documentation, including the model Member Guarantee, by expressly indicating that the Member Guarantee will only cover Medium-Long Term Loans.

Following the revision of the Shareholders' Agreement and the Issuer's articles of association, two model Member Guarantees co-exist, Member Guarantee 2016.01 and Member Guarantee 2014.01.

Holders of Notes issued after the Date of Entry into Force will benefit from Member Guarantee 2016.01 or any other subsequent Member Guarantee in accordance with clause 2.3 of Member Guarantee 2016.01.

(d) Available remedies among 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 Medium-Long Term Loans taken out with the Issuer.

The Members that were liable, on the other hand, have a right to effective remedy against the other Members as a way to allow the guarantee mechanism to operate as a whole and guarantee claims to be evenly distributed. Each Member is ultimately expected to pay for the claims made in proportion to its outstanding Medium-Long Term Loans from the Issuer as of the date of such claims.

ST handles and centralises the recovery of any payable sums between the Members in the interest of organise any claims among Members. 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. Under the Shareholders' Agreement, 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.

Each issue of Notes (including the Notes issued under the Programme and notes issued under the Issuer's euro commercial paper programme) by the Issuer and/or other financial commitments (such as banking facilities and hedging contracts) of the Issuer, benefitting from the ST Guarantee, gives rise to the grant of a guarantee, known as a statement of guarantee (the **Statement of Guarantee**) which is based on the terms of the ST Guarantee decided by ST's Board of Directors.

Each Statement of Guarantee specifies the maximum amount guarantee under such issue or financial commitment (the **Individual Ceiling**). The Individual Ceiling is calculated at the Issuer's discretion (and notified to ST) on the basis of the form and terms of the notes and/or financial commitments guarantees and the amounts due in principal, interest and other amounts. For each Tranche of Notes issued under the Programme, the Individual Ceiling of the ST Guarantee defined in the corresponding Statement of Guarantee is specified in the Final Terms for the relevant issue and is equal at least to the total amount of the issue.

The sum of the Individual Ceilings represents an amount which is at least equal to the total of the funds raised by the Issuer on the capital markets through any means (Notes issued under the Programme and notes issued under the Issuer's euro commercial paper programme) and other financial commitments (such as banking facilities and hedging transactions), that the Issuer has entered into and both of which benefit from the ST Guarantee.

The total cap guaranteed under the ST Guarantee, is always equal to the sum of the Individual Ceilings. The total amount guarantee under the ST Guarantee may not in any event be greater than the Maximum Ceiling of the ST Guarantee, which is equal, at the date of this Base Prospectus to 5,000,000,000 euros.

While not enforceable against third parties, in particular against the Noteholders, the Issuer has agreed, in a Memorandum of Understanding with ST in relation to the ST Guarantee, published on the Issuer's Website, to ensure that the total amount guaranteed under the ST Guarantee is set at an amount at least equal to the total amount of funds raised by the Issuer on the capital markets through any means (Notes issued under the Programme and notes issued under the Issuer's euro commercial paper programme) and other financial commitments (such as banking facilities and hedging contracts) that the Issuer has entered into and that both benefit from the ST Guarantee.

Except as set out above, 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;
- 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 the ST Guarantee by a Beneficiary, the representative of Beneficiaries or by the Issuer is exclusively contingent upon complying with the proper form and time period prescribed in such guarantee, failing which it is void.

The Issuer also has the option of calling the ST Guarantee in the name of and on behalf of the Members. The sums received from such calls shall be deposited in an escrow account opened in the name of ST with the CDC. In accordance with instructions that the Issuer shall give to the CDC (article 9.4.3 of the model ST Guarantee), the amounts deposited in that account will be paid directly to the Beneficiaries on the due date of their receivable. The main terms and conditions of the escrow agreement are available on the Issuer's Website.

1.3 Investor information related to the actual guarantees and the Members' financial position

The Issuer's Website (www.agence-france-locale.fr) provides the Beneficiaries with information on the guarantee systems and the guarantors, as well as up-to-date information on the maximum amounts guarantees under the Member Guarantees and the ST Guarantee.

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 the following information accessible to the Beneficiaries:

(a) Beneficiary information on the ST Guarantee and the Member Guarantees

(i) ST Guarantee

- the total amount guaranteed under the ST Guarantee on the second Business Day preceding the day on which the Website is updated or on any later date;
- the total amount guaranteed under the ST Guarantee 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 ST Guarantee;
- the name and address of the individual to whom a guarantee claim must be sent for the ST Guarantee;
- the amount of the guarantee claims under the ST Guarantee of which ST 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 Medium-Long Term Loans 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 Medium-Long Term Loans 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 Medium-Long Term Loans according to the version of the Member Guarantee¹;
- the name and address of the individual to whom a guarantee claim must be sent for each Member;
- the amount of the guarantee 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 IT service provider which is able to update the publication of the aforementioned information on a website for six months as from the start of any settlement or liquidation proceedings instigated against the Issuer. However, this information will 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 guarantees in relationship to the published information on the breakdown of the Members' outstanding Medium-Long Term Loans and ST's commitments.

1.4 Guarantee Call

When the guarantee call is not decided upon by the Issuer and/or ST, the Beneficiaries or their representatives may make the guarantee calls under the Member Guarantee and the ST Guarantee pursuant to the terms such guarantee, by using the form guarantee call appended to each of these guarantees.

¹ Where there are several models of Member Guarantee in existence at the same time for the same Member, the outstanding Medium-Long Term Loans of the such Member published on the Issuer's Website will show, for each model Member Guarantee in force, the amount of outstanding Medium-Long Term Loans guaranteed under such model Member Guarantee.

As noted above, each guarantee call by a Beneficiary, the representative of the Beneficiaries, the ST in the case of the Member Guarantee or the Issuer in the case of the ST Guarantee, must be made in the form and within the time limit set out in such guarantee, failing which it will be invalid.

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 an amount greater to the amount due to such caller under his security. The callers may factor into their decision-making process the following facts:

- The ST Guarantee base covers, for each Tranche of Notes issued, the Individual Ceiling specified in the Final Terms;
- 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 Member Guarantees and that each call that a Member receives thereby proportionately reduces its commitment under its Member Guarantee;
- ST (unlike the Local Authorities) is subject to French legislation on collective insolvency procedures and may enter into receivership or 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.
- (D) The Board of Directors of Société Territoriale decided, on 16 February 2017, to increase the Maximum Guarantee Ceiling, thereby raising it from 3.5 billion euros to 5 billion euros.
- (E) Accordingly, the Board of Directors of Société Territoriale and the Supervisory Board of Agence France Locale approved the terms of this Model Guarantee (version 2017.1) as well as the terms of the supplement n°1 to the Memorandum of Understanding.
- (F) Model Guarantee version 2017.1 replaces Model Guarantee version 2014.1 in its entirety.

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

- 2.1.1 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.

2.2. 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. On 16 February 2017, the Board of Directors of Société Territoriale authorised, in accordance with the terms of this Model Guarantee and the Memorandum of Understanding, an increase in the Maximum Guarantee Ceiling, as specified in Article 5.1 of this Model Guarantee.

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 already issued and to any future Guaranteed Instruments 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 ceiling of five billion (€5,000,000,000) 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

- 9.1.1 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.

9.1.2 All Guarantee Calls must be denominated in euros (EUR) or in any other currency which is legal tender in France.

9.1.3 All Guarantee Calls must be written in French.

9.1.4 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

9.2.1 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.

9.2.2 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

9.3.1 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.

9.3.2 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

- 9.4.1 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.
- 9.4.2 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.
- 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.
- 9.4.4 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

10.1.1 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.

10.1.2 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

10.2.1 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.

10.2.2 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 (2nd) 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 (10th) and thirtieth (30th) 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.
- 16.2. 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 convention.
- 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*.

Executed in Lyon

On 16 February 2017

In three (3) original copies

Agence France Locale – Société Territoriale
Represented by Mr Olivier Landel

Agence France Locale
Represented by Mr Yves Millardet

LIST OF APPENDICES

APPENDIX A – FORM OF STATEMENT OF GUARANTEE

APPENDIX B – FORM OF GUARANTEE CALL BY BENEFICIARY

APPENDIX C – FORM OF GUARANTEE CALL BY REPRESENTATIVE

APPENDIX D – FORM OF GUARANTEE CALL BY AGENCE FRANCE LOCALE

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 de Lyon*) under the number 799 379 649 (*Agence France Locale*), pursuant to the autonomous first demand guarantee dated 16 February 2017 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 _____ (_____) euros¹ (the *Individual Ceiling*);
- decides that the commitment relating to the Individual Ceiling shall expire on _____ (the *Expiry Date*).

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*).

Executed in [●]

On [●]

For Agence France Locale

NB: The Individual Ceiling, as specified in this Statement of Guarantee is included in the amount of the Actual Guarantee Ceiling published on the Website, corresponding to the sum of all of the Individual Ceilings in respect of outstanding guarantee commitments, for which the relevant Statements of Guarantee are also published on the Website.

¹ 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 2017.1

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you on 16 February 2017 (version 2017.1) (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]*.]¹

Yours faithfully,

For *[Insert name of Beneficiary]*
in the capacity of Beneficiary
By: ***[Insert name of signatory]***
Job title: ***[Insert job title of signatory]***

¹ 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 2017.1

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you on 16 February 2017 (version 2017.1) (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 C | | | | | |

* 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].**]¹

Yours faithfully,

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]**

¹ 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 16 February 2017 (version 2017.1) (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 [Agence France Locale/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,

For Agence France Locale
By: [*Insert name of signatory*]
Job title: [*Insert job title of signatory*]

3. 3. MEMBER MODEL GUARANTEE

The text of the model guarantee (2016.01) 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, excluding amounts due by the Guarantor, in principal interest and incidentals to Agence France Locale under outstanding indebtedness initially granted for a maximum period of 364 days;

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

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 Model 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 Model 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.

2.2. Model Guarantee and Guarantee Commitments

2.2.1 This Guarantee is based on the Model Guarantee, version 2016.01, as established by the Board of Directors of Société Territoriale on 26 November 2015.

2.2.2 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.

- 2.2.3 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.
- 2.2.4 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

- 2.3.1 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.
- 2.3.2 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.
- 2.3.3 Holders of Guaranteed Instruments issued up to the date of signature of the Guarantee Commitment referring to a specific Model Guarantee may, in respect of the totality of the Outstanding Indebtedness, invoke either the last Model Guarantee accepted by the Guarantor in a Guarantee Commitment at the issue date for such Guaranteed Notes, or later Model Guarantees also accepted by the Guarantor in a subsequent Guarantee Commitment, it being specified, however, that all Guarantee Calls must only refer to a single Model Guarantee.
- 2.3.4 The holders of Guaranteed Instruments issued after the date of signature of the Guarantee Commitment referring to a Model Guarantee later than version 2016.01 may only invoke the later Model Guarantees accepted by the Guarantor.

SECTION II TERMS AND CONDITIONS OF THE GUARANTEE

3. 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.

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 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.

5. 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 (10th) 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.

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) Société Territoriale, on behalf of any Beneficiary.

8. 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**).

9. TERMS AND CONDITIONS OF CALLS

9.1 Principle

9.1.1 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.

9.1.2 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.

- 9.1.3 All Guarantee Calls must be denominated in euros (EUR) or in any other currency which is legal tender in France.
- 9.1.4 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.
- 9.1.5 All Guarantee Calls must be written in French.
- 9.1.6 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

- 9.2.1 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.
- 9.2.2 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

- 9.3.1 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.

9.3.2 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
 - (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 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;
 - (iii) 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

9.4.1 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.

9.4.2 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.

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.

9.4.4 The call notification must also specify the date by which payment of the amounts called must have been made.

9.4.5 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

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.

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.

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 Member of a Guarantee Commitment.

13. 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.

14. 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

14.2.1 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.

14.2.2 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

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.

16. 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

17. 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 (1st) 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 (10th) 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.
- 17.2. 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.

18. 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.

19. 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:
- (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.

- 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**

20. 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.

21. 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

GUARANTEE COMMITMENT

[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 2016.01, a copy of which is appended to this Guarantee Commitment;
- the initial Guarantee amount provided pursuant to this Guarantee Commitment is _____ (_____) euros¹ (the **Initial Ceiling**);
- This Guarantee Commitment will expire on _____ (the **Expiry Date**)²;
- 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 high court.

Executed in [●]

On [●]

For the Guarantor³ For Agence France Locale

In the presence of Société Territoriale⁴

¹ The amount must be specified in both numbers and words.

² 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.

³ Signature preceded by the words "Signed and agreed - autonomous first demand guarantee for a ceiling amount of [Initial Ceiling, in figures and words] euros".

⁴ 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 2016.01

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2016.01 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 |
|-----------|-----------------|-------------------------------------|---|--------------------------------------|-------------------------------------|---|--------------------------------|
| | | | | | | | |
| | | | | | | | |

* 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]*.]¹

Yours faithfully,

For *[Insert name of Beneficiary]*
in the capacity of Beneficiary
By: *[Insert name of signatory]*
Job title: *[Insert job title of signatory]*

¹ 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 2016.01

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2016.01 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]***.]¹

Yours faithfully,

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]***

¹ 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 2016.01

Dear Sir/Madam,

1. We refer to the first demand guarantee granted by you in accordance with the Model Guarantee version 2016.01 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 [Agence France Locale/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. 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. 799 055 629.

(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
E-mail: 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 France Urbaine |
| Yves Millardet Born on 24 | Deputy Chief Executive Officer | Appointed by the Board of Directors on 5 | Chairman of the Issuer's Executive Board | 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> |
|--|--|---|---|--|
| August 1964 in Vannes, France | 41 quai d'Orsay – 75007 Paris, France | June 2014 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2020 | | |

(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 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 | Managing Director of services for the association of Mayors of France |
| Mr Richard Brumm Born on 20 October 1946 in Lyon (69006) | Vice-Chairman of the Board of Directors and director 41 quai d'Orsay – 75007 Paris, France | Coopted by the Board of Directors on 20 June 2016 Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016 | Chairman and member of the Issuer's Supervisory Board | <ul style="list-style-type: none"> – Honorary <i>Avocat</i>. – Assistant Mayor Head of Public Finances– City of Lyon. – Elected representative – Vice-president responsible for Finance – Métropole de Lyon – Elected representative - Assistant Mayor, Head of Finance and General Administration– City of Lyon |

| <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> |
|---|---|--|---|--|
| Département de l'Aisne (SIREN : 220 200 026) Represented by Pierre-Jean Verzelen Born on 29 August 1983 in Laon (02000) | Director 41 quai d'Orsay – 75007 Paris, France | Appointed by decision of the Departmental Council of l'Aisne on 17 June 2015. 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 (SIREN no. 213 300 635) represented by Alain Juppé, born on 15 August 1945 in Mont-de-Marsan, France (40000) | 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 |

| <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>Département de l'Essonne (SIREN : 229 102 280)</p> <p>Represented by Dominique Echaroux</p> <p>Born on 16 June 1946 in Paris (18^{me})</p> | <p>Director</p> <p>41 quai d'Orsay – 75007 Paris, France</p> | <p>Appointed by decision of the Departmental Council of l'Essonne on 14 December 2015.</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> | <p>None</p> | <p>Member of the Departmental Committee for rental values of professional premises (CDVLLP)</p> <p>Member of the Board of the Departmental Fire and Emergency Service</p> <p>Member of the Departmental Public Safety Council (CDSC)</p> <p>Member of the Advisory Committee for security and accessibility (CCDSA)</p> <p>Member of the Departmental Sub-Committee for security and accessibility for road and public space contracts and the local accessibility commission for persons with disabilities</p> <p>Member of the Board of Directors for the following schools:</p> <p><input checked="" type="checkbox"/> Briis-sous-Forges : Collège Jean Monnet (Siren : 198 512 204)</p> <p><input checked="" type="checkbox"/> Dourdan : Collège Condorcet (Siren : 199114919), Collège Emile Auvray (Siren : 199 119 405)</p> <p><input checked="" type="checkbox"/> Etréchy : Collège Le Roussay (Siren : 199 114 471)</p> <p><input checked="" type="checkbox"/> Limours : Collège Michel Vignaud (Siren : 199 100 413)</p> <p><input checked="" type="checkbox"/> Saint-Chéron : Collège Le Pont de-Bois (Siren : 199 112 566)</p> <p>Member of the Board of Directors for the Collège Jeanne d'Arc à Dourdan (under-association contract private school) (Siren: 200 026 433)</p> <p>Member of the Supervisory Board for the Sud Essonne de Dourdan-Etampes hospital (Siren: 200 026 433)</p> <p>Member of the Board for the elderly people's home (EHPAD) in Ablis (Siren: 267 802 460)</p> |

| First and Last names Date and place of birth | Duties and any special powers Professional address | Date of first appointment and end of term | Terms of office and duties within the Agence France Locale Group | Terms of office and duties outside the Agence France Locale Group |
|---|--|--|---|--|
| City of Grenoble (SIREN no. 213,801,855) represented by Hakim Sabri, born on 14 February 1956 in La Mûre (38350) | 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 |
| Métropole Européenne de Lille (SIREN no. 245 900 410) represented by Mr Michel Colin | Director Member of the Audit 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 | - Chairman of the Board of Directors of EHPAD Les Aulnes (SIREN: 266 700 582) - Member of the Board of Directors and reference representative of the Métropole Européenne de Lille at SPL Eurailille (SIREN: 378 224 786) - Member of the Board of Directors and reference representative of Métropole Européenne de Lille at SEM SORELI (SIREN: 325 741 932) - Member of the Board of Directors and reference representative of Métropole Européenne de Lille at SPL Euratechnologies (SIREN: 538 862 277) |
| City of Lons-le- Saunier (SIREN 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 |
| Métropole de Lyon (SIREN: 246 900 245) represented by Mrs Karine Dognin-Sauze | 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 |

| <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> |
|--|---|--|---|--|
| Région Pays de la Loire (SIREN : 234 400 034) Represented by Laurent Dejoie Born on 15 October 1955, in Nantes (44000) | Director 41 quai d'Orsay – 75007 Paris, France | Appointed by decision of the Standing Committee of the Regional Council of Pays de la Loire on 29 January 2016. Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016. | None | None |
| Département de la Savoie (SIREN : 227 300 019) Represented by Luc Berthoud Born 21 December 1962 in Chambéry (73000) | Director 41 quai d'Orsay – 75007 Paris, France | Appointed by decision of the Departmental Council of Savoie on 10 April 2015. Term to expire at the ordinary general shareholders' meeting called to approve the accounts for the financial year ending 31 December 2016. | None | 3rd Vice-Chairman of Chambéry Métropole (Siren : 247 300 098) Chairman of Savoie Technolac Syndicat Mixte (Siren : 257 301 424) |
| Valenciennes Métropole (SIREN no. 245 901 160) represented by Francis Debacker, born on 26 September 1942 in Annequin (62149), 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 |

(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 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 date of this Base Prospectus, ST's share capital amounted to €133,217,500, divided into 1,332,175 shares of a par value of €100.00 each, all of the same class and fully subscribed and paid up.

(ii) Indebtness represented by securities

As of 31 March 2017, in accordance with IFRS as adopted by the European Union, the Issuer's indebtedness represented by securities amounted to €1,782,741,617.

(iii) Memorandum and articles of association

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) Material agreements

Other than the agreements described below, there are no material agreements (other than contracts entered into in the ordinary course of business) that confer rights, or place obligations, on ST or the Issuer that may have a material impact on ST's ability to perform its obligations to the Noteholders under the ST Guarantee.

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. ST will therefore regularly, and in the context of its normal business, increase its capital in order to include these new Members into its share capital. In addition, 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 183 Local Authorities, none of which holds more than 10% except for three Members. These are the *Métropole Aix-Marseille-Provence*, the *Métropole de Lyon*, and the *Commune de Marseille*, whose respective holdings should fall below the 10% threshold in the future due to new Members' joining the Agence France Locale Group. These percentage holdings are a result of the fact that the ICC of these two significant Members is greater than that of the majority of other Members. The *Métropole de Lyon* and the *Commune de Marseille* have also paid their additional capital contribution in full following the entry into force of the MAPTAM Law and following the incorporation of ancillary budgets within the scope of accession.

As of the date of this Base Prospectus, ST's share capital is distributed among the following Local Authority Members:

List of Local Authority Members as at the date of this Base Prospectus

| | |
|-----|---|
| 1. | Métropole Aix Marseille Provence |
| 2. | Métropole de Lyon |
| 3. | Commune de Marseille |
| 4. | Région Pays de la Loire |
| 5. | Département de l'Essonne |
| 6. | Métropole européenne de Lille |
| 7. | Collectivité d'Outre-Mer de Polynésie Française |
| 8. | Métropole Nantes Métropole |
| 9. | Métropole du Grand Nancy |
| 10. | Métropole Bordeaux Métropole |
| 11. | Département de l'Aisne |
| 12. | Métropole Toulouse Métropole |
| 13. | Métropole Eurométropole de Strasbourg |
| 14. | Département de la Savoie |

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| 15. | Etablissement public territorial Plaine Commune |
| 16. | Commune de Grenoble |
| 17. | Commune de Nantes |
| 18. | Communauté urbaine Dunkerque Grand Littoral |
| 19. | Commune de Montreuil |
| 20. | Métropole Brest Métropole |
| 21. | Commune de Bordeaux |
| 22. | Commune de Clermont-Ferrand |
| 23. | Département de la Meuse |
| 24. | Communauté d'agglomération Amiens Métropole |
| 25. | Métropole Rouen Normandie |
| 26. | Communauté urbaine Clermont Auvergne Métropole |
| 27. | Commune d'Amiens |
| 28. | Commune de Saint-Denis |
| 29. | Commune de Créteil |
| 30. | Communauté d'agglomération Chambéry Métropole - Cœur des Bauges |
| 31. | Commune d'Evreux |
| 32. | Commune de Brest |
| 33. | Commune de Pau |
| 34. | Commune de Cherbourg-en-Cotentin |
| 35. | Communauté urbaine du Creusot Montceau |
| 36. | Département de l'Ariège |
| 37. | Communauté d'agglomération Valenciennes Métropole |
| 38. | Commune de Mâcon |
| 39. | Commune de Gennevilliers |
| 40. | Commune de Metz |
| 41. | Communauté d'agglomération Pau Bearn Pyrénées |
| 42. | Communauté d'agglomération du Grand Besançon |
| 43. | Commune de Saumur |
| 44. | Commune de Villeurbanne |
| 45. | Commune de Roquebrune-sur-Argens |
| 46. | Commune de Vincennes |
| 47. | Commune de Bourgoin-Jallieu |
| 48. | Communauté d'agglomération Grand Poitiers |
| 49. | Commune de Gonesse |
| 50. | Communauté urbaine d'Arras |
| 51. | Commune de Vernon |
| 52. | Commune de Saint-Nazaire |
| 53. | Etablissement public territorial Est Ensemble |
| 54. | Communauté de communes Moselle et Madon |
| 55. | Communauté d'agglomération Annemasse-Les Voirons Agglomération |
| 56. | Commune de Lons-le-Saunier |
| 57. | Commune de Nogent-sur-Marne |
| 58. | Commune de Balaruc-les-Bains |
| 59. | Commune de Noyon |
| 60. | Communauté urbaine d'Alençon |

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| 61. | Commune de Croix |
| 62. | Communauté d'agglomération Le Grand Périgueux |
| 63. | Commune de Livry-Gargan |
| 64. | Communauté de communes de la Région de Guebwiller |
| 65. | Commune de Pertuis |
| 66. | Communauté d'agglomération du Bassin de Thau |
| 67. | Commune d'Oloron Sainte-Marie |
| 68. | Commune de Brunoy |
| 69. | Commune de Rezé |
| 70. | Commune de Saint-Hilaire-de-Riez |
| 71. | Commune du Bouscat |
| 72. | Communauté d'agglomération Morlaix Communauté |
| 73. | Communauté de communes du Pays Noyonnais |
| 74. | Commune de Bry-sur-Marne |
| 75. | Commune d'Alençon |
| 76. | Commune de Waziers |
| 77. | Collectivité d'Outre-Mer de Saint-Pierre-et-Miquelon |
| 78. | Communauté d'agglomération du Val de Fensch |
| 79. | Commune de Lannion |
| 80. | Commune de Domérat |
| 81. | Commune de La Motte-Servolex |
| 82. | Etablissement public territorial Paris-Est-Marne et Bois |
| 83. | Communauté d'agglomération de Blois-Agglopolys |
| 84. | Commune de Saint-Brice-sous-Forêt |
| 85. | Commune de Bourg-Argental |
| 86. | Communauté de communes Pévèle Carembault |
| 87. | Commune de Vendôme |
| 88. | Commune de Combloux |
| 89. | Commune de Loireauxence |
| 90. | Commune d'Ancenis |
| 91. | Commune de Wittenheim |
| 92. | Commune de Saint-Saulve |
| 93. | Commune de Plouzané |
| 94. | Communauté de communes du Bassin de Pompey |
| 95. | Commune d'Huningue |
| 96. | Communauté de communes du Pays Mornantais |
| 97. | Commune de Longvic |
| 98. | Commune de Pont d'Ain |
| 99. | Commune de Saint-Jean-Bonnefonds |
| 100. | Communauté de communes du Pays de Conches |
| 101. | Communauté de communes du Pont du Gard |
| 102. | Commune de Condom |
| 103. | Communauté d'agglomération Val Parisis |
| 104. | Communauté de communes des Coteaux du Girou |
| 105. | Commune de Roquefort-sur-Soulzon |
| 106. | Commune de Saint-Avé |

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| 107. | Communauté de communes du Sundgau |
| 108. | Commune de Morhange |
| 109. | Communauté de communes du Warndt |
| 110. | Communauté de communes Rives de l'Ain - Pays du Cerdon |
| 111. | Commune de Roquemaure |
| 112. | Commune de Guéthary |
| 113. | Commune de Bagnères-de-Luchon |
| 114. | Commune d'Aussonne |
| 115. | Communauté de communes Ardenne Rives de Meuse |
| 116. | Commune d'Anzin |
| 117. | Communauté de communes de la Vallée du Garon |
| 118. | Commune de Pollestres |
| 119. | Commune d'Etrembières |
| 120. | Commune de Beaucozé |
| 121. | Etablissement public territorial Grand-Orly Seine Bièvre |
| 122. | Commune de Bourg-Saint-Andéol |
| 123. | Commune de La Mulatière |
| 124. | Communauté de communes du Quercy-Caussadais |
| 125. | Commune d'Aulnoy-lez-Valenciennes |
| 126. | Commune de Lesneven |
| 127. | Communauté de communes du Rhône aux Gorges de l'Ardèche |
| 128. | Communauté de communes de l'Huisne Sartoise |
| 129. | Commune de Cysoing |
| 130. | Communauté de communes Roumois Seine |
| 131. | Commune de Les Sorinières |
| 132. | Commune de Saint Martin de Seignanx |
| 133. | Commune de Gidy |
| 134. | Communauté de communes Adour Madiran |
| 135. | Commune d'Usson-en-Forez |
| 136. | Commune d'Aubrives |
| 137. | Communauté de communes de la Plaine du Nord Loiret |
| 138. | Commune d'Attiches |
| 139. | Commune de Giberville |
| 140. | Commune de Genech |
| 141. | Commune de Gonfaron |
| 142. | Commune de Saint-Just-d'Ardèche |
| 143. | Commune de Plouvorn |
| 144. | Commune de Plailly |
| 145. | Commune de Saint-Sauveur-en-Rue |
| 146. | Commune de Saint-Augustin-des-Bois |
| 147. | Commune de La Feuillie |
| 148. | Commune de Saulzoir |
| 149. | Commune de Richardménil |
| 150. | Commune de Flourens |
| 151. | Commune de Vitrac |
| 152. | Commune de Boën-sur-Lignon |

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| 153. | Commune du Pont de Beauvoisin |
| 154. | Commune de Beynac et Cazenac |
| 155. | Commune de Les Voivres |
| 156. | Commune de Pujo |
| 157. | Communauté d'Agglomération d'Epinal |
| 158. | Commune de Saint-Pierre-du-Bosguérard |
| 159. | Commune de Peyrignac |
| 160. | Commune de Saint-Pierre-des-Fleurs |
| 161. | Commune de Pontaurmur |
| 162. | Commune de Thil |
| 163. | Commune de Grandvilliers |
| 164. | Commune de Sainte-Euphémie |
| 165. | Commune de Peujard |
| 166. | Commune de Saily-Lez-Lannoy |
| 167. | Commune de Conches-en-Ouche |
| 168. | Commune de Vénéjan |
| 169. | Commune de Roquesérière |
| 170. | Commune de Bernay-Vilbert |
| 171. | Commune de Teilhède |
| 172. | Commune de Monacia d'Aullène |
| 173. | Commune de Chirols |
| 174. | Commune de Puy-Saint-Gulmier |
| 175. | Commune de Le Ferré |
| 176. | Commune de Collonges-les-Premières |
| 177. | Commune d'Izier |
| 178. | Commune du Thuit-de-l'Oison |
| 179. | Commune de Saint-Maurin |
| 180. | Commune d'Epieds |
| 181. | Commune de Cressy-sur-Somme |
| 182. | Commune de Tart-l'Abbaye |
| 183. | Commune de Grosbois-en-Montagne |

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).

In principle, payment by Local Authorities of the ICC may be staggered over a maximum period of three (3) calendar years. As an exception, above a certain threshold set by the Board of Directors, Local Authorities may request to pay their ICC in installments over a maximum of five (5) calendar years.

The amount of the ICC is calculated as follows:

The amount of the ICC, expressed in euros, will equal:

$$\text{Max}(k_n * 0.80\% * \text{Total Debt}; k_n' * 0.25\% * \text{Operating Revenues})$$

Where: $\text{Max}(x; y)$ is equal to the highest value among x and y;

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 Local Authority 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.

The relevant Total Debt figure shall be that published by the General Directorate of Public Finances (the **DGFIP**), or, if applicable, the General Directorate of Local Authorities (the **DGCL**), and in the event that the DGCL and the DGFIP stop publishing such information, their replacement body, or if there is no replacement, the relevant Local Authority under the control of the Issuer on the relevant date. It is noted 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 the Company.
- (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 Agence France Locale 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 Local Authority 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.

The relevant Operating Revenues figure shall be that published by the **DGFIP**, or, if applicable, the DGCL, and in the event that the DGCL and the DGFIP stop publishing such information, their replacement body, or if there is no replacement, the relevant Local Authority under the control of the Issuer on the relevant date. It is noted 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 EPCIs shall not be included in the amount of their Operating Revenues.

k_n and k_n' are coefficients that are equal to or greater than one (1). Based on a proposal of the Issuer's Executive Board for each of the periods over which payment of the CCI can be phased 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.

The final amount is rounded up to avoid the appearance of broken figures during the ST capital increases allowing the inclusion of ICCs.

The combined ST shareholders' general meeting, held on 30 September 2016, approved the amendments to the articles of association enabling Local Authorities, which so expressly request on the date of their accession, to benefit from an

adjustment of the terms of payment of their ICC, allowing them to pay the amount of their ICC by instalments and over a period potentially exceeding five years.

The amount of the ICC payable by Local authorities opting to take advantage of adjusted ICC payment terms, expressed in euros, is determined as follows:

Max (ka *0.80%* Total Debt; ka' *0.25%*Operating Revenue)

Where: **Max (x ; y)** has the meaning given thereto above;

Total Debt has the meaning given thereto above;

Operating Revenue has the meaning given thereto above;

ka and ka' are coefficients greater than or equal to one (1) which shall be determined by ST's Board of Directors upon the proposal of the Executive Board and an opinion of the Issuer's Supervisory Board by reference to economic and financial criteria to ultimately ensure the Agence France Locale Group's capital adequacy in light of its mandate.

In these circumstances, the applicant Local Authority shall pay an initial instalment of one (1) million euros, followed by a proportional annual payment in an amount equal to the higher of the following:

- i. 3% of the aggregate amount borrowed by the local authority as part of its medium/long-term financing entered into with the Issuer during the preceding year;
- ii. a fixed amount of 250,000 euros.

The final amount shall be rounded up to avoid any fractional entitlements whenever the share capital of ST is increased.

The combined ST shareholders' general meeting, held on 30 September 2016, also approved the amendments to the articles of association enabling Local Authorities, which so expressly request on the date of their accession, to benefit from an adjustment of the method of calculation of their ICC (**Adjusted ICC**), and thus to take into account in calculating their ICC, subject to certain strictly defined conditions in ST's articles of association, the actual amount of their indebtedness.

The **Adjusted ICC** amount payable by Local Authorities that have expressly opted for an adjusted ICC calculation method is determined as follows:

Any Local Authority wishing to opt for **Adjusted ICC** must first determine the ICC amount payable pursuant to one or other of the formulae specified above by calculating the ICC based (a) on Total Debt and (b) Operating Revenue.

If the ICC amount calculated by reference to Operating Revenue is higher than such amount calculated by reference to Total Debt, the Local Authority may not adjust its ICC amount and must pay its ICC without benefitting from **Adjusted ICC**.

If the Local Authority is permitted to adjust the amount of its ICC, it shall nominate the reference calendar year to be used as the basis for determining its total indebtedness (**Reference Total Debt**).

A provisional ICC shall be calculated based upon the recorded or anticipated indebtedness in respect of the reference calendar year nominated for the purpose of either of the formulae referred to above (**Provisional Adjusted ICC**).

At the end of the nominated reference calendar year, the actual ICC amount shall be calculated as provided below (**Actual Adjusted ICC**).

Reference Total Debt shall mean (i) total debt for the calendar year preceding its accession or (ii) total debt of the calendar year in which it requested accession or (iii) total debt for the calendar year following that in which it requested accession.

Local Authorities may, on the date of their request for accession, decide whether or not to include ancillary budget debt in their definition of Reference Total Debt. If the relevant Local Authority decides not to include certain budgets in the definition of Reference Total Debt on the date of request for accession, the relevant budgets may not be financed by the Issuer until such budgets have effectively been included.

Member *communes* of tax-raising EPIC or territorial public establishments (EPT) as defined in article L. 5219-2 of the CGCT may request that debts allocated to such public establishments are not included within their Reference Total Debt, subject to supplying ST with the relevant documents evidencing such allocation.

The amount of the Provisional Adjusted ICC as defined on the date of request for accession may not in any event be less than 80% of the amount of the ICC as calculated pursuant to one or other of the aforementioned formulae.

At the end of such reference calendar year, the Actual Adjusted ICC amount is calculated by reference to the total actual debt recorded for the reference calendar year (**Actual Debt**) and by reference to the actual operating revenue recorded for the reference calendar year (**Actual Operating Revenue**) pursuant to one or other of the aforementioned formulae.

Where the Actual Adjusted ICC amount calculated by reference to Actual Debt is less than the amount calculated by reference to Actual Operating Revenue, the Actual Adjusted ICC amount shall be determined by reference to Actual Operating Revenue.

The actual amount of Actual Adjusted ICC payable is determined as follows:

- if the Actual Adjusted ICC is greater than the Provisional Adjusted ICC, the difference between the two such amounts must be paid, exceptionally, by single payment during the financial year following the reference calendar year and must be paid by the Local Authority no later than 31 December, upon demand by the Chief Executive Officer of ST. If the Local Authority fails to make such payment, it may be treated as a Dormant Member;
- if the Actual Adjusted ICC is less than the Provisional Adjusted ICC, the difference so determined shall be applied, as from the financial year following the reference calendar year, against the Actual Adjusted ICC amount.

The Adjusted ICC amount shall be rounded up to avoid any fractional entitlements whenever the share capital of ST is increased to incorporate ICCs into the share capital

(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 Issue

5. DESCRIPTION OF THE ISSUER'S INDIRECT SHAREHOLDERS: THE LOCAL AUTHORITIES

5.1 Financial Information 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) (the **Guarantor Factsheets**).

Information contained in the Guarantor Factsheets is exclusively public information published by third parties to the Issuer, ST and the Members. The Issuer confirms that such information is faithfully reproduced in the Guarantor Factsheets and that, to its knowledge, and to the extent it is aware in light of the information published by such third parties, that no facts have been omitted which would make the information reproduced in such factsheets inaccurate or misleading.

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 EPCIs, with a legal personality, financial and legal autonomy and the power of self-governance as defined by the legislation. At 1 January 2017, France had 36,797 territorial authorities and 1,266 tax-raising EPCIs, giving a total of 38,067 Local Authorities.

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 1,266 EPCIs that have the authority to levy taxes¹. 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 law of 12 July 1999; metropolitan areas (*métropoles*) established by the following laws: French law no. 2010-1563 of 16 December 2010 on reform of local authorities; the MAPTAM Law and the NOTRe Law.

The difference among these various groupings mainly relates to the minimum population levels that they must cover as well as their range of competences.

¹ Source : DGCL BIS, 1,266 tax-raising EPCI at 1st January 2017, n°113, January 2017.

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.

With regard to the Greater Paris metropolitan area (MGP), the NOTRe Law, created an unprecedented two-tier inter-municipal system, with metropolitan areas under the form of EPCIs with their own status and tax-raising powers and EPTs subject to the provisions applicable to associations of municipalities (*syndicats de communes*) (art. L.5219-2 of the CGCT).

It should be noted that the Lyon metropolitan area is not an EPCI but rather a special status authority, as defined in article 72 paragraph 1 of the Constitution.

As of the date of its incorporation, an urban authority groups together more than 250,000 inhabitants¹ from several municipalities located on a continuous strip of land without any 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 has to comply with conditions relating to its collective population. The NOTRe Law sets the minimum size for the formation of a tax-raising EPCI at 15,000 inhabitants (with the exception of some geographical areas). This new legal threshold applies *de facto* only to communities of municipalities. The threshold may however be amended subject to four conditions, two of which are related to geographic density, one related to remote areas and one related to the creation of an association of municipalities in 2012, covering more than 12,000 inhabitants.

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.

¹ The former threshold set at 500,000 inhabitants by Article L.5215-1 of the CGCT was decreased to 450,000 inhabitants and then to 250,000 inhabitants by virtue of the MAPTAM law.

Apart from the various EPCIs under French law, "special status" EPCIs came into being on 1 January 2016. They included the Greater Paris metropolitan area (*Métropole du Grand Paris*) (see paragraph (B) "the *Métropole du Grand Paris* and public territorial institutions (EPTs)").

The NOTRe Law, adopted in August 2015 is a new frontier in territorial reform. Indeed, by removing the general powers clause for departments and regions, the NOTRe Law redefines the scope of departmental and regional powers and introduces a number of changes in terms of the sharing and transfer of powers for the Greater Paris metropolitan area, for communities of municipalities and for conurbation communities. More generally alongside the new definition of powers, it increases the role of the regions, strengthens associative ties between municipalities and improves transparency and the management of local authorities.

Since 1 January 2016 a new Grouping called the "Métropole d'Aix-Marseille-Provence" (the Aix-Marseille-Provence metropolitan area) has replaced 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 2017, France had a total of 35,416 municipalities for a population of 66,991 million people¹. Almost the entire population may be considered as belonging to tax-raising EPCI, with the exception of four isolated municipalities with a total of 6,316 inhabitants. 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.*"

The "new municipalities" born out of the law of 16 December 2010 and the law of 16 March 2015 relating to the improvement of the regime of new municipalities, are a new way of grouping together neighbouring municipalities within a community. The NOTRe Law provides that communities can substitute former communes within their territory in completing the preparation and drawing up of their local planning and development documents (local urban planning plans and municipal maps). At 1 January 2016, 1,090 municipalities have disappeared and been replaced by 317 new municipalities.

At 1st January 2017, there are at least 200 additional new communes that were created in 2016².

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

¹ Source: Insee, population estimates (provisional results at end of 2016).

² *Maire Info*, 4 January 2017, http://www.amf.asso.fr/document/index.asp?doc_n_id=24236

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.) The NOTRe Law organises the transfer of local development plans (*plans locaux d'urbanisme, PLU*) to associations of municipalities but, in accordance with the law of 24 March 2014 *on access to housing and new urban planning* (known as the “ALUR” law), member municipalities within an EPCI can oppose the automatic transfer of their PLU to the associative municipal level, provided they bring together 25% of municipal councils, representing 20% of the total population of the EPCI;

- **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:** with the NOTRe Law, municipalities lose some of their economic powers, particularly with regard to assistance to companies. The NOTRe Law introduced a new definition of the “economic development” competence. According to a briefing note from the Government on the new distribution of economic powers among local authorities (1) from 22 December 2015, the region has sole competence to grant assistance to companies, particularly companies in difficulty. Municipalities can contribute to their funding alongside regions, provided they sign an agreement with the relevant region. Moreover, the NOTRe Law, states that the actions of municipalities in granting assistance to companies must be compatible with the guidelines established in the regional economic development, innovation and internationalisation plan (SRDEII) (2). Municipalities now have exclusive capacity to take action on corporate property (3). In addition to assistance for corporate property, municipalities are able to intervene in economic matters, without prior intervention from a region, to grant subsidies to cinema operators (art. L.2251-4 of the CGCT), create or maintain a necessary service for the local population where there are insufficient or lacking services from the private sector (art. L.2251-4 of the CGCT), guarantee loans entered into by private law natural persons (articles L.2252-1 *et seq.* of the CGCT) and to participate in the capital of guarantee companies or in the establishment of a guarantee fund within a lending institution (article L.2253-7 of the CGCT). Tourism has fallen under the remit of communities, which are now able to set up tourist offices along the terms provided in articles L.133-2 to L.133-10 of the Tourism Code. Municipalities can retain their tourist offices however, provided they are either classed as “tourist resorts” or are home to a “protected territorial site”, a concept introduced into the Tourism Code by the NOTRe Law.
- **marinas and airfields:** the municipalities have the authority to create, develop and operate marinas and airfields. The NOTRe Law provides for the possibility of transfers of some airfields belonging to the State to local authorities which can request such transfer provided there is no national interest or national defence interest related thereto.
- **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 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) EPCIs

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 urban authorities to which were added the conurbation communities established under 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 and the NOTRe Law, the Métropole du

Grand Paris and the Métropole d'Aix-Marseille-Provence, special status EPCIs, 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).

The NOTRe Law strengthens the extent of integration of municipality communities and conurbation communities by granting them new powers. Powers for urban communities and metropolitan areas were already bolstered by the MAPTAM Law. Indeed, the management of sites for travellers, the collection and processing of household and similar waste together with water and sanitation (from 1 January 2020 for the latter two areas whose content had already been altered) are compulsory powers for municipality communities and conurbation communities.

The NOTRe Law sets a minimum threshold of 15,000 inhabitants for the formation of a tax-raising EPCI. This threshold, which may not be lower than 5,000 inhabitants, is flexible, in order to allow the EPCI to adapt to the diversity and reality of geographical areas, for the following four scenarios¹:

- for EPCIs “with a demographic density of less than half the national density, within a department whose demographic density is below the national density. In such cases the applicable demographic threshold is calculated by weighting the number of 15 000 inhabitants against the ratio between the demographic density of the department in which the majority of communes are located and the national density”;
- for EPCIs with demographic density of less than 30% of the national density;
- for EPCIs in which at least half of the municipalities are located in mountainous areas or which group together all of the municipalities on an island territory;
- for EPCIs including the whole of a tax-raising EPCI of more than 12 000 inhabitants resulting from a merge between 1 January 2012 and the publication date of the NOTRe Law.

(A) The ordinary law metropolitan area (*métropole du droit commun*)

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.

As at 1st January 2017, there are 14 *métropoles* in France, home to 706 *communes* with a population of 15.645 million inhabitants.

The metropolitan areas are EPCIs that pool together several municipalities on a continuous strip of land without any enclosures, which share a common

¹ Article L.5210-1-1 of the CGCT

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. In addition, the Greater Paris metropolitan area came into being on 1 January 2016 (see paragraph (B) "The *Métropole du Grand Paris (MGP)* and public territorial institutions (*établissements public territoriaux (EPT)*") below for more details.

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.

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;

- 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;
- stewardship over aquatic environments and flood prevention pursuant to the provisions of Article L. 211-7 of the French Environmental Code;
- 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 *Métropole du Grand Paris* and public territorial institutions (*établissements publics territoriaux*)

Established by the MAPTAM Law and enhanced by the NOTRe Law, the Greater Paris metropolitan area (*Métropole du Grand Paris (MGP)*) came into being on 1 January 2016. Its aim is to reduce territorial inequalities and develop a sustainable urban, social and economic model.

The MGP covers Paris, the 123 municipalities in the inner suburbs (Hauts-de-Seine, Seine-Saint-Denis and Val-de-Marne) and 7 municipalities in the outer suburbs (Essonne and Val d'Oise), or almost 7.15 million inhabitants. The MGP replaces existing Groupings in the inner suburbs.

The NOTRe Law creates a unique two-tiered intercommunal system:

- The metropolitan area in the form of a special status tax-raising EPCI,
- Geographical areas, which are public territorial institutions EPTs subject to the provisions applicable to associations of municipalities (art. L.5219-2 of the CGCT).

The metropolitan area

A metropolitan area plan defines the general axes of the MGP's policy. Thus, the area has full rights in all competences of "metropolitan interest", mainly to the detriment of the municipalities. This metropolitan interest is essential to the extent that it defines the scope and allocation of powers between the MGP, EPT and the municipalities. It should be noted that 4 compulsory powers will be transferred gradually to the MGP¹ from 2016 to 2018:

- Economic, social and cultural development and planning, environmental protection and lifestyle policy on 1 January 2016,
- Urban planning and local housing policy on 1 January 2017,
- The climate-air-energy plan and the blueprint for metropolitan energy distribution networks on 1 January 2016;
- The delegation of housing competencies and the transfer of large infrastructure and facilities from the State.

Public territorial areas

Following consultation with the relevant Local Authorities, on the basis of Article 12 of the MAPTAM Law, the area of territory making up the Greater Paris metropolitan area was decreed in a series of decrees dated 11 December 2015. The MGP is divided into 12 territories (T1 to T12), comprising Paris and 11 territories from 300,000 to 700,000 inhabitants, which together with the metropolitan area make up a system of inter-municipal associations. EPTs have legal personality and their own powers in some areas. Further, and following the amendments submitted by the Government through the NOTRe bill, EPTs can, according to the new terms of article L.16611-3-2 of the CGCT join Agence France Locale Group in the place of the EPCIs they have replaced.

In accordance with the NOTRe Law, the 12 EPTs will gradually be granted their own powers and some shared powers with the MGP. These include:

- Development and planning (planning, urban reconfiguration, establishing property reserves). The EPTs can also draw up their own local inter-municipal development plan (PLUi) and become the governing authority for public municipal and inter-municipal housing services;
- Economic development (industrial parks, economic development activities),

¹ See Article L.5217-2 of the CGCT

- Housing (OPH, improving built property, refurbishing and rehabilitating substandard housing),
- Drawing up a local urban development plan;
- Urban policy;
- Local social assistance work;
- Climate-air-energy plan;
- Water and sanitation (planned transfer to EPTs in 2020);
- Management of household and similar waste; and
- Cultural and sports equipment of local interest.

(C) The urban authority (*communauté urbaine*)

As of 1 January 2017, there were 15 urban authorities, bringing together 624 municipalities and covering a population of 3.77 million¹.

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.

¹ Sources: DGCL – Ministère de l'intérieur/ Insee

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 powers¹. 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 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.

¹ 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.

Fair and equitable housing in the urban area:

- local urban housing 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.

(D) Conurbation community (*communauté d'agglomération*)

The French law of 12 July 1999 replaced the groupings of towns with conurbation communities. As of 1 January 2017, there were 218 conurbation communities covering 7,184 municipalities and 23.87 million inhabitants¹.

As of the date of its incorporation, a 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 of 16 December 2010, 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 the following powers:

- In economic development: economic development initiatives under the terms provided in article L. 4251-17 of the CGCT; creation, planning and management of industrial, commercial, tertiary, trade, tourist and harbour and airport zones; local trade policy and support for commercial activities of local interest; promotion of tourism, including the establishment of tourist offices;
- In urban area planning and land use: local consistency of development plan and zonal plan; local urban planning programme, local urban plan reflecting the municipality's map and geographic location; ensuring mobility²;
- In fair and equitable housing: local housing programme; local housing policy and initiatives and financial aid to promote social

¹ Sources: DGCL / Insee

² Pursuant to section III of book II of Part 1 of the Transportation Code, subject to article L. 3421-2 of the same code.

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;

- In urban policy: preparation of the local diagnostic survey and definition of the strategic direction of the town charter; promotion and coordination of contractual urban development, local development and economic and social integration policies in addition to local crime prevention programmes; action plans set out in the town charter.

From 1 January 2018, the following powers will be added to the CGCT:

- clearing, maintenance and management of temporary sites for travellers; and
- household and similar waste collection and treatment.

Further, the conurbation community, on behalf of the municipalities, must take care of three of the following seven matters that fall within its remit:

- establishment/planning of road ways; creation/planning or management of parking lots in the local population's interest;
- sanitation;
- water;
- environmental conservation and environment policy: fight against air pollution; fight against noise pollution; lending support to control energy demand;
- construction, planning, maintenance and management of cultural, community, socio-educational and sports facilities in the local population's interest;
- community-based social services¹;
- creation and management of public service centres and definition of services to be delivered to the public pursuant to article 27-2 of law no. 2000-321 of 12 April 2000 on the rights of citizens in their dealings with public administration.

(E) 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 2017, there were 1,019 municipalities communities assembling 26,839 municipalities and covering a population of 22.9 million inhabitants¹.

¹ According to the terms of article L.123-4-1 of the social work and families code, the conurbation community, with powers in social work of local interest, can transfer some or all of its responsibility thereunder to an inter-municipal social work centre

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 municipality community shall be duly authorised, in lieu of the member municipalities, to exercise the relevant powers in each of the following groups:

- 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;
- initiatives for economic development²; the creation, planning, maintenance and management of industrial, commercial, tertiary, trade, tourist, harbour and airport operations; local trade policy and support to local commercial activities; promotion of tourism and the establishment of tourist offices;

From 1 January 2018, the following powers will be added to the CGCT:

- clearing, maintenance and management of temporary sites for travellers; and
- household and similar waste collection and treatment.

Further, the municipality community, on behalf of the municipalities and in areas of local interest, must take care of three of the following nine 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 and 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);

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¹ Sources: DGCL – Ministère de l'intérieur/Insee

² In the terms provided in article L. 4251-17 of the CGCT

- creation, layout and maintenance of roadways;
- sanitation;
- water;
- creation and management of public service centres and definition of services to be delivered to the public pursuant to article 27-2 of law no. 2000-321 of 12 April 2000 on the rights of citizens in their dealings with public administration.

(iii) The departments

As of 1 January 2017, there were 99 departments in mainland France including three 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 for a period. Henceforth Article L.3211-1 of the CGCT provides "*the departmental councils settle through their deliberations the matters concerning the departments in the areas provided for by law.*" Since the NOTRe Law however, the general competence clause has been removed for 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.

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.
- In transportation and roads, the NOTRe Law transferred powers to the regions. The law provides that railways of local interest managed by departments for transport either of persons or goods shall be transferred to regions within 18 months following enactment of the law. Departmental roads remain under the purview of department, contrary to what had been provided in the initial draft.
- The NOTRe Law introduces some innovative changes, providing that *“competences in the area of culture, sport, tourism, the promotion of regional languages and popular education are shared among the municipalities, departments, regions and special status authorities”*¹.

The creation of the Greater Paris metropolitan area² and the Aix-Marseille-Provence metropolitan area has also had repercussions on departmental powers. The Greater Paris metropolitan area, provided it enters into an agreement with the department “exercises within its perimeter, by transfer, in place of the department, or by delegation, on behalf of the department, all or part of the groups of powers”. Among the powers covered by the law are:

- the allocation of housing assistance through the solidarity fund, pursuant to article 6 of law no. 90-449 of 31 May 1990 aiming to introduce the right to housing;
- tasks delegated to the departmental social work service;
- the adoption, adaptation and introduction of the departmental integration programme as provided in article L. 261-1 of the CGCT;
- assistance to disadvantaged young people and preventative services for disadvantaged families and young people;
- social support for the elderly;
- the construction, reconstruction, development, maintenance and operation of secondary schools. The metropolitan area looks after catering, accommodation and general and technical maintenance, excluding student care and attention, in the secondary schools under its remit;

¹ Article L. 5218-2 of the CGCT

² Article L. 5217-2 of the CGCT

- management of departmental public roads and their adjoining roads. This transfer is to be stated by order of the State representative in the department. The order transfers to the metropolitan area the necessary easements, rights and obligations together with the list of roads transferred into the metropolitan area's remit.

(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. Following the enactment of the law of 16 January 2015 *on the shape of regions, regional and departmental elections and amending the electoral calendar*, at 1 January 2017 there were 18 regions.

This change in the number of regions is a result of the government's proposal for territorial reform in June 2014. Through the MAPTAM and NOTRe Laws, the territorial reform has been supported by enhanced authority for the regions 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). The NOTRe Law defined the region as a "local authority with responsibility on its territory for defining the strategic direction in the area of economic development"¹.

The NOTRe Law specifies that "*the regional council has the power to promote economic, social, healthcare, cultural and scientific development in the region, it supports urban policy and regeneration as well as education, planning and territorial equality. It promotes the preservation of the local identity and promoted regional languages, respecting the integrity, autonomy and powers of the departments and municipalities*".

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.*"

¹ Art L. 4251-12 of the CGCT

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. The NOTRe Law has, in addition, bolstered these powers by introducing a regional blueprint for higher education, research and innovation, which will aim to define the strategic axes of the region and prioritise its work;
- 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 spread of TB, leprosy, HIV and STDs under an agreement with the French State.

The NOTRe Law transferred powers to the regions in the following areas:

- Mobility, transport and roads in place of the departments (from 1 January 2017);
- The regions also gain exclusive power to define “*assistance schemes and decide on the granting of assistance to companies in the region*” and to prepare two major blueprints, covering both sides of economic development: the regional blueprint for economic development, innovation and internationalisation (SRDEII) and the regional blueprint for planning, sustainable development and territorial equality (SRADDET).

(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 of this Base Prospectus, only two special status local authorities, as defined by the aforementioned article, have been set up under the legislation¹.

The first is 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.

¹ New Caledonia, which has a special status, is governed by Title XIII of the French Constitution of 1958.

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.

As at 1st January 2017, the *Métropole de Lyon* comprises 59 *communes* with a population of 1.375 million inhabitants.

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.

(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 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 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 council¹

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.

¹ 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.

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 life¹ 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.

¹ 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).

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.
- **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 rules

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 CGCT¹ 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).

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.

¹ 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).

- 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 of certain considerations concerning withholding taxes applicable in France and Luxembourg to payments in respect of Notes.

This summary is based on tax law in force on the date of this Base Prospectus and is subject to modification (potentially with retroactive effect). Such summary is provided by way of general information and is not a comprehensive analysis of all tax considerations that may be relevant to Noteholders. It is therefore recommended that prospective investors should consult with their own tax adviser to examine their individual circumstances in detail.

1. FRANCE

1.1 Withholding tax in France

The following is a summary of certain withholding tax considerations that may be relevant to Noteholders who do not also hold shares of the Issuer.

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 an applicable double tax 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 income 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 (the **Deductibility Exclusion**). Under certain conditions, any such non-deductible interest and other income 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 income 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 an applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A III of the French *Code général des impôts* nor the Deductibility Exclusion shall 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 and BOI-IR-DOMIC-10-20-20-60-20150320, 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.

1.2 Payments received by individuals who are fiscally domiciled in France

Where the paying agent (*établissement payeur*) is established 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 such interest and similar revenues received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

2. 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.

2.1 Non-resident holders of Securities

In accordance with Luxembourg general tax laws in force, 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, no Luxembourg withholding tax is payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

2.2 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, 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 to a beneficial owner who is an individual resident in the Grand Duchy of Luxembourg are subject to a withholding tax at the current rate of 20%. 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.

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 21 April 2017 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

Each Dealer has represented and warranted that it has not made and will not make an offer of Notes to the public in a member state of the European Economic Area (**EEA**). Each Dealer may however make an offer of such Notes to the public in that member state of the EEA:

- (e) 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 member state of the EEA (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 member state of the EEA or, where appropriate, approved in another member state of the EEA and notified to the competent authority in that member state of the EEA, 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;
- (f) at any time to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (g) 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

- (h) 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 member state of the EEA 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 member state of the EEA 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.

3. UNITED STATES OF AMERICA

The Notes have not and will not be registered pursuant to the United States Securities Act of 1933 as amended (the **U.S. Securities Act**) or pursuant to any regulatory authority related to financial securities of any State or other jurisdiction of the United States of America. Subject to certain exceptions, Notes may not be offered or sold in the United States of America or, in the case of Materialised Notes, offered, sold or 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 the U.S. Internal Revenue Code of 1986. 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.

The Notes shall be offered and sold outside the United States of America in compliance with Regulation S.

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 in accordance with Italian legislation related to financial securities 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 :

- (i) to qualified investors (*investitori qualificati*), as defined in article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended from time to time (the **Financial Services Law**) and article 34-ter, paragraph 1(b) of the Consob regulation No.11971 of 14 May 1999 as amended from time to time (the **Regulation No. 11971**), or
- (ii) pursuant to any other public offer exemption in accordance with article 100 of the Financial Services Law and article 34-ter of Regulation No.11971.

Any offer, sale or delivery of Notes or any distribution of this Base Prospectus or any other document relating to the Notes in the Republic of Italy in accordance with paragraphs (i) and (ii) above must :

- (a) 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 from time to time and Legislative Decree No. 385 of 1st September 1993 as amended from time to time (the **Banking Law**);
- (b) comply with article 129 of the Banking Law and the application guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may require information regarding the issuance or offer of notes in the Republic of Italy; and
- (c) comply with any other laws and regulations or requirements and restrictions that may be imposed by the CONSOB (*Commissione Nazionale per le Società e la Borsa*) or any other Italian authority.

Please note that pursuant to article 100-bis of the Financial Services Law, when no exemption to the rules regarding public offers applies according to (i) and (ii) above, the subsequent resale of Notes in the secondary market in Italy shall be made in accordance with the rules related to public offer and prospectus required by the Financial Services Law and Regulation No. 11971. A breach of these rules may cause the sale of these Notes to be invalid and cancelled and the intermediary transferring the financial securities may be held liable for all losses and damage incurred by the investors.

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

*[The Base Prospectus dated 21 April 2017 is valid until 20 April 2018. The next following base prospectus shall be available on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuer (www.agence-france-locale.fr) and copies may be obtained at the registered office of the Issuer and the specified offices of the Paying Agents.]*¹

Set out below is the Form of Final Terms which will be completed for each Tranche of Notes:

Final Terms dated [●]

[insert logo]

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.

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 amended².

[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

¹ To be inserted in the case of a public offer where the offer period closes after the expiry date of this Base Prospectus.

² Insert if a non-exempt offer of Notes is Planned.

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, 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 amended¹.

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 21 April 2017 (in respect of which the *Autorité des marchés financiers* (the **AMF**) has granted visa No. 17-170 dated 21 April 2017) 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 Terms².] 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] [●].]³

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall have the meaning given to them in the Terms and Conditions of the Notes set forth in the base prospectus dated [●] [and the supplement[s] to it dated] which is incorporated by reference in the base prospectus dated 21 April 2017. This document constitutes the Final Terms of the Notes described below (the **Notes**) for the purposes of Article 5.4 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended from time to time (the **Prospectus Directive**) and must be read in conjunction with the base prospectus dated 21 April 2017 (which received visa No. 17-170 from the *Autorité des marchés financiers* (the **AMF**) on 21 April 2017) related to the EUR 3,000,000,000 Euro Medium Term Note Programme of the Issuer [and the supplement to the base prospectus dated [●] which received visa No.[●] from the AMF dated [●]], which [together] constitute[s] a base prospectus for the purpose of the Prospectus Directive (the **Base Prospectus**). The Issuer hereby accepts the responsibility of the information contained in these Final Terms which, together with the Base Prospectus, contain all important information regarding the issuance of the Notes. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the Prospectus constituted by these Final Terms and

¹ Insert if a non-exempt offer of Notes is planned

² Include only for issue of Notes with a denomination of less than €100,000.

³ If the Notes are admitted to trading on a Regulated Market other than Euronext Paris.

the Base Prospectus. [A summary of the issue of the Notes is annexed to these Final Terms.]¹These Final Terms and the Base Prospectus are (a) published on the websites (i) of the AMF (www.amf-france.org) and (ii) the Issuer (www.agence-france-locale.fr), [and] (b) available during normal business hours, at the registered office of the Issuer and the specified office of the Paying Agent(s) from which a copy can be obtained. [In addition, the Base Prospectus [is][are] available [on/at][●]]²

[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 |
| | <i>[Specify the Individual Ceiling of the ST Guarantee]</i> |
| | <i>[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]</i> |
| 3. (a) Series: | [●] |
| (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): | [●] ³ |
| 5. Aggregate Nominal Amount: | [●] |
| | <i>[Insert the amount or in the case of an offer to the public, the date of publication of such amount.]</i> |
| (a) Series: | [●] |
| (b) Tranche: | [●] |
| 6. Issue Price: | [●] % of the Aggregate Nominal Amount of the Tranche [plus accrued interest from <i>[insert date]</i>] (in the case of fungible issues or first broken |

¹ Include only for issue of Notes with a denomination of less than €100,000.

² If the Notes are admitted to trading on a Regulated Market other than Euronext Paris.

³ In accordance with article 1343-3 of the Civil Code, all payments in respect of domestic issues must be made in euros.

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 5.4)
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]

(*if the Interest Rate is determined by linear interpolation in respect of an [first/last] Interest Period [long/short], insert the relevant interest period(s) and the two relevant rates to be used for such determination*)
- 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: [●]
- (if the Interest Rate is determined by linear interpolation in respect of an [first/last] Interest Period [long/short], insert the relevant interest period(s) and the two relevant rates to be used for such determination)*
- Determination Date for Floating Rate: [●]
- (h) ISDA Determination (Condition 5.3 (c)(ii)) [Applicable/Not Applicable]
- Floating Rate Option: [●]
- (if the Interest Rate is determined by linear interpolation in respect of an [first/last] Interest Period [long/short], insert the relevant interest period(s) and the two relevant rates to be used for such determination)*
- 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/BBF]
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:
- (b) Day Count Fraction:

[●]% per annum

[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:
- (c) If redeemable in part:
- (I) Minimum Redemption Amount:
- (II) Maximum Redemption Amount:
- (d) Notice period:

[●]

[●] per Note of Specified Denomination [●]

[[●] per Note of Specified Denomination [●] / Not Applicable]

[[●] per Note of Specified Denomination [●] / Not Applicable]

[In accordance with the Terms]/[●]

20. Investor put:

[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) Notice period: [In accordance with the Terms]/ [●]
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] /
- [As long as the Notes are held by a single Noteholder, the relevant Noteholder will exercise directly the powers delegated to the Representative and General Meeting under the Conditions. The single Noteholder shall keep (or shall ensure that any authorised agent keeps) a record of all the decisions taken by it, in such capacity, and shall make the records available, on demand, to any future Noteholder. A Representative shall be appointed when the Notes of a Series are held by more than one Noteholder.]

- | | |
|--|--|
| 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 [●].] <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.]¹

Signed on behalf of the Issuer:

By:

Duly authorised

¹ 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 [Aa3] 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 (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) 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 PROCEEDS¹

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.)

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)

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 public in France)

[Yield spread of [●] % compared to treasury bonds

¹ Information not required in case of Notes of more than €100,000

(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]¹ of the Managers: [Not applicable/give names]

(a) Stabilising Manager(s) (if any):

[Not applicable/give names]

(b) Underwriting commitments of the Manager(s): [●]²

(c) Date of the Subscription Agreement: [●]³

If non-syndicated, names [and addresses]⁴ 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 or in Luxembourg 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 / [and] in Luxembourg] 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 date") (the **Offer Period**). For more details, see paragraph 10 of Part B.

¹ 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.

² Information not required in the case of an issue of notes of more than €100,000.

³ Information not required in the case of an issue of notes of more than €100,000.

⁴ 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.

(N.B. Consider all local regulatory requirements which shall be respected in order to implement a non-exempt offer in France or in Luxembourg. Such offer shall not be implemented in France or in Luxembourg until those requirements are respected.).

9. OPERATIONAL INFORMATION

ISIN Code:

Common Code:

Depository(ies): /Not Applicable

(I) Euroclear France acting as Central Depository: [Yes/No]

(II) Common Depository for Euroclear and Clearstream, Luxembourg: [Yes/No]

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)]

Delivery: Delivery [against/free of payment]

Names and addresses of initial Paying Agents appointed for the Notes:

Names and addresses of additional Paying Agents appointed for the Notes:

10. [OFFERS TO THE PUBLIC

Conditions to which the offer is subject: [Not Applicable/(give details)]

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)]

Specify the time period, mentioning any possible modification, during which the offer will be open and describe the application process: [Not Applicable/(give details)]

Information on the minimum and/or maximum subscription amount: [Not Applicable/(give details)]

Description of option to reduce the amount of the offer and the procedure for reimbursing overpayments by subscribers: [Not Applicable/(give details)]

Information on method and timetable for [Not Applicable/(give details)]

payment for and delivery of the Notes:

Procedure and date for publication of the results of the offer:

[Not Applicable/(give details)]

Procedure for exercise of any pre-emption rights, negotiability of subscription rights and treatment of unexercised subscription rights:

[Not Applicable/(give details)]

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)]

Procedure for notification to subscribers of their allotments and indication of whether the distribution can begin prior to notification:

[Not Applicable/(give details)]

Amount of fees and taxes specifically charged to the subscriber or the purchaser:

[Not Applicable/(give details)]

11. PLACEMENT AND UNDERWRITING¹

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 underwritten):

[●]

¹ 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.

ANNEX 1 - SUMMARY OF THE ISSUE¹

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>A1</p> <p>General disclaimer regarding the summary of the Base prospectus</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 (EEA), 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>A2</p> <p>Information regarding consent by the Issuer to the use of the Prospectus</p> | <p>[Not Applicable]</p> <p>[In the context of any offer of Notes [in France]/[in Luxembourg] which does not benefit from an exemption from the requirement to publish a prospectus under the Prospectus Directive, as amended (a Public Offer), the Issuer consents to the use of the Base Prospectus in connection with such Public Offer of Notes for the period from [●] to [●] (the Offer Period) and in France by [●]/[any financial intermediary] (the Authorised Institution(s)). [The Authorised Institution[s] must meet the following conditions: [●].</p> |

¹ Information not required in the case of an issue of notes of more than €100,000.

[The Issuer accepts liability, in [France]/[Luxembourg], for the content of the Prospectus for the purposes of any person (an **Investor**) located in [France]/[Luxembourg] to whom an offer of Notes is made by the Authorised Establishment, from when the offer is made and during the Offer Period for which consent is granted. However, neither the Issuer, nor any of the Guarantors nor any Dealer is liable for the actions of any Authorised Establishment, including with regard to compliance with rules of business conduct applicable to the Authorised Establishment or to other local regulations or other legal obligations on financial instruments related to such an offer which apply to the Authorised Establishment.]

The above consent applies during Offer Periods (if applicable) arising within 12 months following the date of the AMF visa granted for the Base Prospectus.

Any Investor intending to acquire or who has acquired Notes from an Authorised Establishment, shall do so, and offers and transfers of Notes by an Authorised Establishment to an Investor shall be made, in compliance with any conditions or other agreements in place between the relevant Authorised Establishment and Investor including with regard to price, distribution, settlement-delivery agreements and any expenses or taxes to be charged to the Investor (the Terms of the Public Offer). The Issuer and the Guarantors shall not be party to such agreements with the Investors (other than the Dealers) in the context of the offer or transfer of the Notes and, consequently, this Base Prospectus and all Final Terms shall not include such information. The Terms of the Public Offer shall be communicated to the Investors by the Authorised Establishment at the time of the Public Offer. Neither the Issuer nor the Guarantors nor any of the Dealers of Authorised Establishments shall be liable for such information or for the consequences of its use by the relevant Investors.

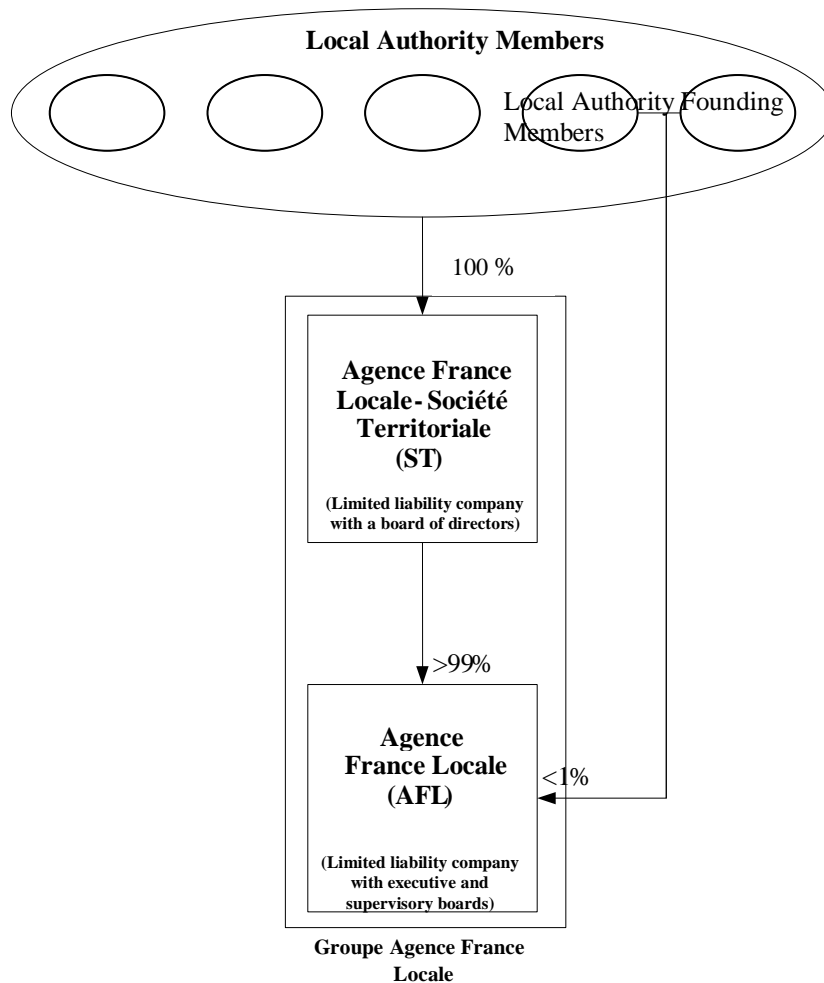
Section B – Issuer

| Element | |
|--|---|
| B.1 The Legal and commercial name of the Issuer | Agence France Locale (the Issuer) |
| B.2 The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation | <p>Issuer:</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 Law of 26 July 2013).</p> <p>The Issuer registered office is located Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon.</p> |
| B.4b A description of any | <p>Issuer:</p> <p>The Issuer has identified certain developments likely to have an impact on its</p> |

| | |
|--|---|
| <p>known trends affecting the Issuer and the activities in which it operates</p> | <p>business:</p> <ul style="list-style-type: none"> - following a freeze in the value of allowances paid by the State to Local Authorities between 2012 and 2017 by the law dated 31 December 2012 on planned public funding from 2012 to 2017, these allowances fell by 1.5 billion euros in financial year 2014 pursuant to the Finance Act dated 29 December 2013. The law dated 29 December 2014 on planned public funding for 2014 to 2019 confirmed the contraction of State financial support as part of Local Authorities' contribution to efforts to improve public accounts by 3.67 billion euros for 2015, 2016 and 2017. The Government therefore planned an overall reduction in endowments of 11 billion euros between 2015 and 2017. This amount was reduced to 10 billion euros after the adoption of the Finance Act 2017 n° 2016-1917 dated 29 December 2016 which provides for the halving of the effort required of communes and EPCI with autonomous taxation powers, resulting in a decrease in the contribution by the "commune bloc" towards the restoration of the public coffers in 2017 of around 1 billion euros. The global operating endowment (DGF) paid in 2017 should be of around 30 billion euros (compared to around 40.5 billion euros in 2013); - various legislative texts have led to significant institutional change in the local public sector (law no. 2014-58 dated 27 January 2014 relating to the modernisation of the territorial public action and affirmation of metropolitan areas (MAPTAM Law), law no. 2015-991 dated 7 August 2015 on the new territorial organisation of the Republic (NOTRe Law), the law on new communes, etc.); - following a recovery in the local authority debt market in 2015 which reached 17.6 billion euros¹), the level is expected to be around 16 billion euros in 2016. The use of the debt markets should increase in 2017 and 2018 to reach an amount of around 18 billion euros² . <p><i>[To be updated on the Issue Date, if necessary]</i></p> |
| <p>B.5</p> <p>Description of the Issuer's Group and the Issuer's position within the Group</p> | <p>Issuer:</p> <p>The structure of the Agence France Locale group (the Agence France Locale Group) is as follows:</p> |

¹ Source : Local financing observatory "Local authority finances in 2016 – Situation report", July 2016, p. 58 : http://www.collectivites-locales.gouv.fr/files/files/ofl_2016.pdf.

² Source : Standard & Poor's, "French local authorities: new era of investment?", 20 February 2017, p.3



Almost the entire share capital (99.99%) and voting rights of Agence France Locale are held by ST, the balance (which represents 10 shares) is divided between the 10 founding Members (as defined below) of ST (the “**Founding Members**”), in order to comply with the requirements of Article L. 225-1 of the French *Code de commerce*, which stipulated at the date of incorporation of the Issuer, that the number of shareholders of a *Société Anonyme* could not be less than seven at the date of incorporation of the company. The members of the ST Board of Directors appointed at the time of its incorporation are the Founding Members which represent ST before the other local authority members of the Agence France Locale Group and third party Local Authorities.

In order to take into account the joint recommendations of AFL’s Supervisory Board and ST’s Board of Directors on changes in the Agence France Locale Group’s governance, in accordance with the new provisions of article L.225-1 of the Commercial Code, and pursuant to clause 15 of the Agence France Locale Group shareholders’ agreement signed on 24 June 2014 between the Issuer, ST and the Members, the principle of the sale of the single share held by each of the Founding Members to ST, other than the *Métropole de Lyon*, was ratified.

Once all of these sales have completed, which is due to take place by no later than the end of the current financial year, ST will have control of the Issuer to an extent that will enable it to benefit from the provisions of article L.225-87 of the Commercial Code and the agreements entered into between the Issuer and ST

will accordingly fall outside the scope of the related party transaction regulations.

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.

To the extent that, in accordance with the provisions of Article L. 1611-3-2 of the French *Code des Collectivités Territoriales* (the **CGCT**), the right to be granted credits by the Issuer is subject to being a Member the number of shareholders of ST is intended to increase with the development of the Agence France Locale Group.

A Local Authority becomes a Member pursuant to an accession deliberation, which authorises the payment of an initial capital contribution (ICC) to ST as part of one or more increases of ST's share capital.

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.

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.

At the date of this prospectus, the share capital of ST is held by 183 local authorities, none of whom hold more than 10% of the share capital, with the exception of three Members. These are the *Métropole Aix-Marseille-Provence*, the *Métropole de Lyon*, and the *Commune de Marseille*, whose respective holdings should eventually fall under the threshold of 10% by virtue of future accessions of new Members to the Agence France Locale Group.

“Member” means the local authorities, establishments for inter-municipal cooperation with their own tax raising powers together with public territorial institutions mentioned in article L. 5219-2 of the CGCT (the **Local Authorities**) that have completed the procedure to join Agence France Locale Group and that have therefore become shareholders in ST.

List of Local Authority Members at the date of this Base Prospectus

| | |
|-----|---|
| 1. | Métropole Aix Marseille Provence |
| 2. | Métropole de Lyon |
| 3. | Commune de Marseille |
| 4. | Région Pays de la Loire |
| 5. | Département de l'Essonne |
| 6. | Métropole européenne de Lille |
| 7. | Collectivité d'Outre-Mer de Polynésie Française |
| 8. | Métropole Nantes Métropole |
| 9. | Métropole du Grand Nancy |
| 10. | Métropole Bordeaux Métropole |
| 11. | Département de l'Aisne |

| | |
|-----|---|
| 12. | Métropole Toulouse Métropole |
| 13. | Métropole Eurométropole de Strasbourg |
| 14. | Département de la Savoie |
| 15. | Etablissement public territorial Plaine Commune |
| 16. | Commune de Grenoble |
| 17. | Commune de Nantes |
| 18. | Communauté urbaine Dunkerque Grand Littoral |
| 19. | Commune de Montreuil |
| 20. | Métropole Brest Métropole |
| 21. | Commune de Bordeaux |
| 22. | Commune de Clermont-Ferrand |
| 23. | Département de la Meuse |
| 24. | Communauté d'agglomération Amiens Métropole |
| 25. | Métropole Rouen Normandie |
| 26. | Communauté urbaine Clermont Auvergne Métropole |
| 27. | Commune d'Amiens |
| 28. | Commune de Saint-Denis |
| 29. | Commune de Créteil |
| 30. | Communauté d'agglomération Chambéry Métropole - Cœur des Bauges |
| 31. | Commune d'Evreux |
| 32. | Commune de Brest |
| 33. | Commune de Pau |
| 34. | Commune de Cherbourg-en-Cotentin |
| 35. | Communauté urbaine du Creusot Montceau |
| 36. | Département de l'Ariège |
| 37. | Communauté d'agglomération Valenciennes Métropole |
| 38. | Commune de Mâcon |
| 39. | Commune de Gennevilliers |
| 40. | Commune de Metz |
| 41. | Communauté d'agglomération Pau Bearn Pyrénées |
| 42. | Communauté d'agglomération du Grand Besançon |
| 43. | Commune de Saumur |
| 44. | Commune de Villeurbanne |
| 45. | Commune de Roquebrune-sur-Argens |
| 46. | Commune de Vincennes |
| 47. | Commune de Bourgoin-Jallieu |
| 48. | Communauté d'agglomération Grand Poitiers |
| 49. | Commune de Gonesse |
| 50. | Communauté urbaine d'Arras |
| 51. | Commune de Vernon |
| 52. | Commune de Saint-Nazaire |
| 53. | Etablissement public territorial Est Ensemble |
| 54. | Communauté de communes Moselle et Madon |
| 55. | Communauté d'agglomération Annemasse-Les Voirons Agglomération |
| 56. | Commune de Lons-le-Saunier |
| 57. | Commune de Nogent-sur-Marne |

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| 58. | Commune de Balaruc-les-Bains |
| 59. | Commune de Noyon |
| 60. | Communauté urbaine d'Alençon |
| 61. | Commune de Croix |
| 62. | Communauté d'agglomération Le Grand Périgueux |
| 63. | Commune de Livry-Gargan |
| 64. | Communauté de communes de la Région de Guebwiller |
| 65. | Commune de Pertuis |
| 66. | Communauté d'agglomération du Bassin de Thau |
| 67. | Commune d'Oloron Sainte-Marie |
| 68. | Commune de Brunoy |
| 69. | Commune de Rezé |
| 70. | Commune de Saint-Hilaire-de-Riez |
| 71. | Commune du Bouscat |
| 72. | Communauté d'agglomération Morlaix Communauté |
| 73. | Communauté de communes du Pays Noyonnais |
| 74. | Commune de Bry-sur-Marne |
| 75. | Commune d'Alençon |
| 76. | Commune de Waziers |
| 77. | Collectivité d'Outre-Mer de Saint-Pierre-et-Miquelon |
| 78. | Communauté d'agglomération du Val de Fensch |
| 79. | Commune de Lannion |
| 80. | Commune de Domérat |
| 81. | Commune de La Motte-Servolex |
| 82. | Etablissement public territorial Paris-Est-Marne et Bois |
| 83. | Communauté d'agglomération de Blois-Agglopolys |
| 84. | Commune de Saint-Brice-sous-Forêt |
| 85. | Commune de Bourg-Argental |
| 86. | Communauté de communes Pévèle Carembault |
| 87. | Commune de Vendôme |
| 88. | Commune de Combloux |
| 89. | Commune de Loireauxence |
| 90. | Commune d'Ancenis |
| 91. | Commune de Wittenheim |
| 92. | Commune de Saint-Saulve |
| 93. | Commune de Plouzané |
| 94. | Communauté de communes du Bassin de Pompey |
| 95. | Commune d'Huningue |
| 96. | Communauté de communes du Pays Mornantais |
| 97. | Commune de Longvic |
| 98. | Commune de Pont d'Ain |
| 99. | Commune de Saint-Jean-Bonnefonds |
| 100. | Communauté de communes du Pays de Conches |
| 101. | Communauté de communes du Pont du Gard |
| 102. | Commune de Condom |
| 103. | Communauté d'agglomération Val Parisis |

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| 104. | Communauté de communes des Coteaux du Girou |
| 105. | Commune de Roquefort-sur-Soulzon |
| 106. | Commune de Saint-Avé |
| 107. | Communauté de communes du Sundgau |
| 108. | Commune de Morhange |
| 109. | Communauté de communes du Warndt |
| 110. | Communauté de communes Rives de l'Ain - Pays du Cerdon |
| 111. | Commune de Rochemaure |
| 112. | Commune de Guéthary |
| 113. | Commune de Bagnères-de-Luchon |
| 114. | Commune d'Aussonne |
| 115. | Communauté de communes Ardenne Rives de Meuse |
| 116. | Commune d'Anzin |
| 117. | Communauté de communes de la Vallée du Garon |
| 118. | Commune de Pollestres |
| 119. | Commune d'Etrembières |
| 120. | Commune de Beaucouzé |
| 121. | Etablissement public territorial Grand-Orly Seine Bièvre |
| 122. | Commune de Bourg-Saint-Andéol |
| 123. | Commune de La Mulatière |
| 124. | Communauté de communes du Quercy-Caussadais |
| 125. | Commune d'Aulnoy-lez-Valenciennes |
| 126. | Commune de Lesneven |
| 127. | Communauté de communes du Rhône aux Gorges de l'Ardèche |
| 128. | Communauté de communes de l'Huisne Sartoise |
| 129. | Commune de Cysoing |
| 130. | Communauté de communes Roumois Seine |
| 131. | Commune de Les Sorinières |
| 132. | Commune de Saint Martin de Seignanx |
| 133. | Commune de Gidy |
| 134. | Communauté de communes Adour Madiran |
| 135. | Commune d'Usson-en-Forez |
| 136. | Commune d'Aubrives |
| 137. | Communauté de communes de la Plaine du Nord Loiret |
| 138. | Commune d'Attiches |
| 139. | Commune de Giberville |
| 140. | Commune de Genech |
| 141. | Commune de Gonfaron |
| 142. | Commune de Saint-Just-d'Ardèche |
| 143. | Commune de Plouvorn |
| 144. | Commune de Plailly |
| 145. | Commune de Saint-Sauveur-en-Rue |
| 146. | Commune de Saint-Augustin-des-Bois |
| 147. | Commune de La Feuillie |
| 148. | Commune de Saulzoir |
| 149. | Commune de Richardménil |

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|------|---------------------------------------|
| 150. | Commune de Flourens |
| 151. | Commune de Vitrac |
| 152. | Commune de Boën-sur-Lignon |
| 153. | Commune du Pont de Beauvoisin |
| 154. | Commune de Beynac et Cazenac |
| 155. | Commune de Les Voivres |
| 156. | Commune de Pujo |
| 157. | Communauté d'Agglomération d'Epinal |
| 158. | Commune de Saint-Pierre-du-Bosguérard |
| 159. | Commune de Peyrignac |
| 160. | Commune de Saint-Pierre-des-Fleurs |
| 161. | Commune de Pontaurmur |
| 162. | Commune de Thil |
| 163. | Commune de Grandvilliers |
| 164. | Commune de Sainte-Euphémie |
| 165. | Commune de Peujard |
| 166. | Commune de Saily-Lez-Lannoy |
| 167. | Commune de Conches-en-Ouche |
| 168. | Commune de Vénéjan |
| 169. | Commune de Roquesérière |
| 170. | Commune de Bernay-Vilbert |
| 171. | Commune de Teilhède |
| 172. | Commune de Monacia d'Aullène |
| 173. | Commune de Chirols |
| 174. | Commune de Puy-Saint-Gulmier |
| 175. | Commune de Le Ferré |
| 176. | Commune de Collonges-les-Premières |
| 177. | Commune d'Izier |
| 178. | Commune du Thuit-de-l'Oison |
| 179. | Commune de Saint-Maurin |
| 180. | Commune d'Epieds |
| 181. | Commune de Cressy-sur-Somme |
| 182. | Commune de Tart-l'Abbaye |
| 183. | Commune de Grosbois-en-Montagne |

| <p>B.9</p> <p>Profit forecast or estimate</p> | <p>Issuer:</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: 2017-2018 Objectives (in millions of euros)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">2017</th> <th style="text-align: center;">2018</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Customer loans and receivables</td> <td style="text-align: center;">1 360</td> <td style="text-align: center;">1 910</td> </tr> </tbody> </table> | | 2017 | 2018 | Customer loans and receivables | 1 360 | 1 910 |
|---|--|-------------|-------------|-------------|--------------------------------|-------|-------|
| | 2017 | 2018 | | | | | |
| Customer loans and receivables | 1 360 | 1 910 | | | | | |

| | | | | |
|--|--|--|-------------------------|-------------------------|
| | | Liquidity reserve | 856 | 855 |
| | | Other Assets | 39 | 41 |
| | | Total assets | 2,255 | 2,807 |
| | | Debts – represented by a security | 2,150 | 2,700 |
| | | Other liabilities | 10 | 10 |
| | | Equity | 95 | 97 |
| | | Total Liabilities and Equity | 2,255 | 2,807 |
| | Components of profit elements: 2017-2018 Objectives (in millions of euros) | | | |
| | | | 2017 | 2018 |
| | | Net banking income | 6.3 | 9.1 |
| | | Gross operating profit | -5.1 | -2.8 |
| B.10 | Issuer: | | | |
| Qualifications in the auditors' report | The Auditors' report on the Issuer's accounts for the years ended 31 December 2015 and 31 December 2016 contains no qualifications. | | | |
| B.12 | Issuer: | | | |
| Selected historical key financial information | The information set out below is based on the Issuer's restated IFRS annual financial statements. However, only the Issuer's annual financial statements prepared in accordance with French standards have legal value. The annual financial statements prepared in accordance with French standards and the auditors reports related thereto are incorporated by reference in this Base Prospectus. | | | |
| | – Consolidated balance sheet on 31 December 2015 and 2016 (in thousands of Euros) | | | |
| | | | 31 December 2015 | 31 December 2016 |
| | | Customer loans and receivables | 383 527 | 892 227 |
| | | Liquidity reserves | 502 479 | 435 422 |
| | | Other | 31 584 | 58 120 |
| | | Total assets | 917 590 | 1 385 769 |
| | | Debts represented by a security | 840 537 | 1 259 073 |
| | | Other | 15 009 | 33 167 |
| | | Own funds | 62 046 | 93 529 |
| | | Total liabilities and shareholders equity | 917 590 | 1 385 769 |

– Components of profit elements on 31 December 2015 and 2016 (in thousands of Euros)

| | 31 December 2015 | 31 December 2016 |
|--------------------------------------|------------------|------------------|
| Net banking income | 361 | 9,220 |
| Gross operating profit (loss) | - 10,995 | - 2,121 |
| Net Income | - 7,777 | - 3,365 |

The negative income for the year ended 31 December 2015 is based mainly on two factors: (i) the fact that the Issuer launched its lending activity in April, following its first bond issuance, and that most of the lending was focused in the final quarter, resulting in low income over the financial year; and (ii) the continuing establishment of banking infrastructure to allow Agence France Locale to manage its operations in accordance with regulations in force.

The negative result for the financial year ended 31 December 2016 can be explained by the significant increase in net banking income, which is still insufficient to achieve balance in view of the continued deployment of the infrastructure required to conduct all banking and financial transactions. This increase in net banking income is mainly due to the following factors: (i) the increase in income from the increase in outstanding loans, (ii) an extraordinary capital gain of 3 million euros from the sale of securities originally classified as investment securities and which have been reclassified as marketable securities after Agence France Locale decided to change the application of its own funds in December 2015, and (iii) capital gains relating to the disposal of liquidity reserve securities in connection with the management of this portfolio.

At the date of this Base Prospectus, there has been no material change in the financial or commercial situation of the Issuer since 31 December 2016 and there has been no material adverse change in the prospects of the Issuer since 31 December 2016.

B.13

Recent events relating to the Issuer of significant interest for the assessment of its creditworthiness

Issuer:

At the date of this Base Prospectus, there are no recent events relating to the Issuer of significant interest for the assessment of its creditworthiness.

However, on 6 March 2017, the Issuer completed a twelfth capital increase which resulted in a capital increase of 16.5 million euros, bringing it to 127.5 million euros.

B.14

Extent to which the Issuer is dependent upon other entities within the Group

Issuer:

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.

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| | <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.15</p> <p>Principal activities of the Issuer</p> | <p>Issuer:</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 of 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.16</p> <p>Extent to which the Issuer is directly or indirectly owned or controlled</p> | <p>Issuer:</p> <p>Please refer to items B.5 and B. 14 above.</p> |
| <p>B.17</p> <p>Credit ratings assigned to the Issuer or its debt securities</p> | <p>[The Notes have not been rated.]</p> <p>[The Notes have been rated [●] by [●].]</p> <p>The Issuer has been assigned a long-term rating of Aa3, stable outlook by Moody’s France SAS (Moody’s).</p> <p>The Programme has been assigned a rating of Aa3 by Moody’s.</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 (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) 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. 18</p> <p>Nature and purpose of the Guarantees</p> | <p>The concept of “beneficiaries” used herein (the Beneficiaries) 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 (as defined in paragraph C.8) and/or the Member Guarantee (as defined in paragraph C.8).</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"> • ST Guarantee |

ST provides a guarantee based on the following principles:

- the ST Guarantee is a first demand guarantee;
- each issue of notes (including the Notes issued under the programme) and/or financial undertakings (such as banking facilities and hedging transactions) by the Issuer, benefitting from the ST Guarantee, gives rise to the grant of a guarantee, known as a “statement of guarantee”. This specified the maximum amount guaranteed under such issue or financial undertaking (the **Individual Ceiling**). The Individual Ceiling for each Tranche of Notes issued under the Programme is specified in the Final Terms for the relevant issue and is at least equal to the total amount of the issue;
- the sum of the Individual Ceilings corresponds to an amount which is at least equal to the total of the funds raised by the Issuer on the capital markets through any means (Notes issued under the Programme and notes issued under the Issuer’s euro commercial paper programme) and other financial undertakings (such as banking facilities and hedging transactions, that the Issuer has taken out and both of which benefit from the ST Guarantee. The total amount guaranteed under the ST Guarantee, corresponding as a maximum to the sum of the Individual Ceilings, was initially set at 3,500,000,000 euros. Due to the Issuer’s financial activities, this ceiling was increased to 5,000,000,000 euros on 16 February 2017.
- the ST Guarantee 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 ST Guarantee, which are intended to be the same as the beneficiaries of the Member Guarantees;
- the use by a Beneficiary, the representative of the Beneficiaries or by the Issuer of the ST Guarantee must comply with the form and timing requirements specified in such guarantee, failing which it will be void.

- **Member Guarantees**

Each Member which has subscribed for a loan of an initial duration of more than 364 days (Medium-Long Term Loan) with the Issuer provides a guarantee based on the following principles:

- the Member Guarantee is a first demand guarantee;
- the maximum amount guaranteed per Member under the Member Guarantee is at all times equal to the amount of Medium-Long Term Loans granted by the Issuer to such Member,
- the Member Guarantee is for the benefit of the Beneficiaries. These Beneficiaries include the holders of securities or the contracting parties to all contracts entered into by the Issuer stating that such securities or contracts benefit from the Member Guarantee; such guarantee is intended as such to benefit all holders of Notes issued under the Programme; and
- the use, by a Beneficiary, the representative of Beneficiaries or by ST of

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| | <p>the Member Guarantee must comply with the form and timing requirements specified in such guarantee, failing which it will be void;</p> <ul style="list-style-type: none"> – to keep beneficiaries fully informed, the outstanding Medium-Long Term Loans of each Member <i>vis-à-vis</i> the Issuer, and consequently, the maximum amount of their guarantee, is published on each Business Day (as defined in the model Member Guarantee) on the Website of the Issuer. |
| B. 19 | |
| Information on Guarantors | |
| B. 19/B.1 | ST: |
| The Legal and commercial name of the Guarantor | Agence France Locale – Société Territoriale (ST) |
| B.19/B.2 | ST: |
| The domicile and legal form of the Guarantor, the legislation under which the Guarantor operates and its country of incorporation | <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.19/B.4b | ST: |
| A description of any known trends affecting the Guarantor and the activities in which it operates | <p>There are no known trends or events specific to ST that are 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.</p> |
| B.19/B.5 | ST: |
| Description of the Guarantor’s Group and the Guarantor’s position within the Group | Please refer to item B.5 above. |
| B.19/B.9 | ST: |
| Profit forecast or estimate | Not Applicable - No forecast or profit estimate has been made in the Base Prospectus in relation to ST. |
| B.5/B.10 | ST: |
| Qualifications in the auditors’ report | The Auditors’ report on ST’s accounts for the years ended 31 December 2015 and 31 December 2016 contains no qualifications. |
| B.19/B.12 | ST: |

Selected historical key financial information

The figures in the tables below are taken from ST's IFRS consolidated financial statements.

Consolidated balance sheet as at 31 December 2015 and 31 December 2016 (in thousands of Euros):

| | 31 December 2015 | 31 December 2016 |
|-------------------------------------|-------------------------|-------------------------|
| Customer loans and receivables | 383 527 | 892 227 |
| Liquidity reserve | 506 243 | 440 629 |
| Others | 31 617 | 58 147 |
| Total assets | 921 387 | 1 391 003 |
| Debts represented by a security | 840 537 | 1 259 073 |
| Others | 15 650 | 33 412 |
| Equity | 65 200 | 98 518 |
| Total Liabilities and Equity | 921 387 | 1 391 003 |

– Components of profit elements on 31 December 2015 and 2016 (in thousands of Euros)

| | 31 December 2015 | 31 December 2016 |
|--------------------------------------|-------------------------|-------------------------|
| Net banking income | 408 | 9,254 |
| Gross operating profit (loss) | -10,984 | - 2,105 |

The main asset on ST's balance sheet is its 99.9% holding in the Issuer. Consequently, the negative results posted by ST for the 2015 and 2016 financial years are caused by the same factors which explain the Issuer's negative results for these years.

The negative income for the year ended 31 December 2015 is based mainly on two factors: (i) the fact that the Issuer launched its lending activity in April, following its first bond issuance, and that most of the lending was focused in the final quarter, resulting in low income over the financial year; and (ii) the continuing establishment of banking infrastructure to allow Agence France Locale to manage its operations in accordance with regulations in force.

The negative result for the financial year ended 31 December 2016 can be explained by the significant increase in net banking income, which is still insufficient to achieve balance in view of the continued deployment of the infrastructure required to conduct all banking and financial transactions. This increase in net banking income is mainly due to the following factors: (i) the increase in income from the increase in outstanding loans, (ii) an extraordinary

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| | <p>capital gain of 3 million euros from the sale of securities originally classified as investment securities and which have been reclassified as marketable securities after Agence France Locale decided to change the application of its own funds in December 2015, and (iii) capital gains relating to the disposal of liquidity reserve securities in connection with the management of this portfolio.</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 2016, and there has been no material adverse change in the prospects of ST since 31 December 2016.</p> |
| <p>B.19/B.13</p> <p>Recent events relating to the Guarantor of significant interest for the assessment of its creditworthiness</p> | <p>ST:</p> <p>At the date of this Base Prospectus, there are no recent events relating to the ST of significant interest for the assessment of its creditworthiness.</p> <p>On 6 March 2017, the ST completed a twelfth capital increase which resulted in a capital increase of 17.327 million euros, bringing its share capital to 133.218 million euros.</p> |
| <p>B.19/B.14</p> <p>Extent to which the Guarantor is dependent upon other entities within the Group</p> | <p>ST:</p> <p>Please refer to item B.14 above.</p> |
| <p>B.19/B.15</p> <p>Principal activities of the Guarantor</p> | <p>ST:</p> <p>ST has a financial holding company activity, principally consisting of:</p> <ul style="list-style-type: none"> – the holding of its interest in the share capital of the Issuer; – the setting of the accession procedure for local authorities to join the Agence France Locale group whose administration is assigned to the Issuer; – the possession and use of the verbal and figurative trademarks of Agence France Locale Group; and – if the ST Guarantee or Member Guarantees are called, the monitoring of the implementation of the Guarantee mechanism. |
| <p>B.19/B.16</p> <p>Extent to which the Guarantor is directly or indirectly owned or controlled</p> | <p>ST:</p> <p>Please refer to items B.5 and B. 14 above.</p> |
| <p>B.19/B.17</p> <p>Credit ratings assigned</p> | <p>ST:</p> <p>ST has not been assigned a rating.</p> |

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| <p>to the Issuer or its debt securities</p> | |
| <p>B.19/B.47</p> <p>Description of Members subscribing a loan from the Issuer</p> | <p>Member Guarantors:</p> <p>Each Member which has subscribed for a Medium-Long Term Loan with the Issuer must provide a Member Guarantee.</p> <p>At the date of this Base Prospectus, 114 Members have subscribed for a loan with the Issuer.</p> <p>Upon each issue of Notes, an updated list of Members having subscribed for a Medium-Long Term 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 (www.agence-france-locale.fr).</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 tax raising EPCIs (<i>Établissement public de coopération intercommunale</i>) (<i>métropoles, communautés urbaines, communautés d'agglomération, communautés de communes</i> or <i>établissements publics territoriaux</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"> – The <i>Communes</i> <p>They have a general purpose in their territory</p> <p>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 2017, France had 35,416 <i>communes</i>.</p> <ul style="list-style-type: none"> – The <i>départements</i> <p>Until 2015, the <i>départements</i> were the main recipients of the competence transfers carried out since 1982. The responsibilities and competences of the <i>départements</i> arose 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> |

In the area of roads and transport, the NOTRe Law transferred powers to the regions. The law provides that local railways managed by the départements for the purposes of transport, of goods or persons, shall be transferred to the regions within 18 months following the enactment of the law. Departmental roads remain under the remit of the départements, contrary to what had been provided in the initial draft.

The establishment of the *Métropole du Grand Paris* and the *métropole d'Aix-Marseille-Provence* has also affected departmental powers. With regard to the *Métropole du Grand Paris*, subject to the signing of an agreement with the *département*, “within its own territory, the *Métropole* exercises, either by transfer, in place of the the *département*, or by delegation, on behalf of the *département*, all or part of the groups of powers”. Among the powers addressed by the NOTRe Law, are: the allocation of assistance for housing solidarity benefit, areas of social work entrusted to the departmental services, adoption, adaptation and implementation of the departmental integration programme, assistance to disadvantaged young people and specialist prevention services for disadvantaged young people and families, social assistance for the elderly, construction, reconstruction, planning, maintenance and operation of secondary schools, and management of departmental public roads and their adjoining roads.

On 1 January 2017, France had 99 *départements métropolitains* including the three *départements d'outre-mer*.

– The *régions*

Since the passing of the decentralisation laws, *régions'* responsibilities are mainly concentrated in the areas of transport, vocational training and economic action. The *régions* also exercise competences relating to regional development, planning, education, vocational training, culture and the health sector.

In addition, the NOTRe Law transferred powers in the areas of mobility, transports and roads to the *regions*. The region has also gained exclusive competency to define “assistance systems and to decide on the granting of assistance to companies in the region” as well as for the preparation of two major potential blueprints covering both sides of economic development: the regional blueprint for economic development and internationalisation (SRDEII) and the regional blueprint for planning, sustainable development and territorial equality (SRADDET).

On 1 January 2017, France had 18 *régions*.

– 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, the MAPTAM Law established 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 *EPCIs*

"*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, pursuant to article 35 of the Law dated 26 July 2013, may only belong to the category of *établissements publics territoriaux* and *établissements publics de coopération intercommunale à fiscalité propre*, which includes, at the date of this Base Prospectus, the ordinary law *métropoles*, the *Métropole du Grand Paris* (MGP), and the *Métropole d'Aix Marseille Provence*, the *communautés urbaines*, *communautés d'agglomération* and *communautés de communes*.

The NOTRe Law strengthens the extent of integration of *communautés de communes* and *communautés d'agglomération* by granting them new powers. Powers for *communautés urbaines* and *métropoles* were already bolstered by the MAPTAM Law. Indeed, the management of sites for travellers, the collection and processing of household and similar waste together with water and sanitation (from 1 January 2020 for the latter two areas whose had already been altered) are compulsory powers for *communautés de communes* and *communautés d'agglomération*.

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;

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| | <ul style="list-style-type: none"> – 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 only be authorised for a given service and a specific purpose. <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>The resources of Members</p> <p>The resources of Members are mainly composed of:</p> <ul style="list-style-type: none"> – tax revenue, the collection and use of which the law has delegated to Members; – 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; – ancillary revenues (fees paid by public service concession holders, rent, revenue related to public services, etc.). <p>Accounting control proceedings applicable to Members</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"> – as administrative acts, they are subject to the ordinary control of legality scrutinised by the State representative; – as budgetary acts, they are subject to special procedures for budgetary, judicial and management control performed by the CRC. |
| <p>B.48</p> <p>Situation of Public finances and foreign trade / significant</p> | <p>Member Guarantors</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</p> |

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| change | <p>information and are available on its website (www.agence-france-locale.fr) 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> |
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Section C – Securities

| Element | |
|---|--|
| <p>C.1</p> <p>Nature, category and identification of the Notes</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></p> <p><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>C.2</p> <p>Currencies</p> | <p>The currency of the Notes is [●].</p> |
| <p>C.5</p> <p>Description of any restriction imposed to the free transferability of the Notes</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>C.8</p> <p>Description of the rights attached to the Notes</p> | <p>Issue Price: [●]% 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>Specified Denomination: [●]</p> <p>Status of the Notes</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>Negative pledge</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 guarantee granted by ST (the **ST Guarantee**) and the guarantees granted by Members who will have subscribed for Medium-Long Term Loans 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, Receipts or Coupons 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 required by law.

If pursuant to French law, payments of principal or interest on any Note, Receipt or Coupon become subject to a withholding at source or deduction by reason of any kind of 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 at source or deduction, subject to various exceptions, described in the section "Terms of the Notes" of this Base Prospectus.

Selling Restrictions

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.

Governing law

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 in which the Issuer's head office is located.

C.9

Interest, maturity date and terms of redemption, yield and representation of Noteholders

Please also refer to section C. 8 above.

Issue of Notes of an amount of [●], bearing interest at a [●]% [fixed/floating/zero coupon/fixed floating (*specify the details of the interest rate*)] rate due [●].

Interest commencement date

The Notes shall bear interest from the date specified in the relevant Final Terms.

Redemption Amount

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.

Optional Redemption

Redemption at the option of the Issuer: [Applicable: (*specify the amount of Optional Redemption*)] / [Not applicable]]

Redemption at the option of the Noteholders: [Applicable: (*specify the amount of Optional Redemption*)] / [Not applicable]]

Early Redemption

[Applicable: (*specify the amount of Optional Redemption*)] / [Not applicable]]

Yield

[The yield of the Notes is [•]] (*To be inserted only for Fixed Rate Notes*) / [Not applicable.]

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| | <p>Representation of Noteholders</p> <p>[[Full <i>Masse</i>/Contractual <i>Masse</i>]</p> <p>The <i>Masse</i> will act in part through a representative (the Representative) 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 single Representative for all Tranches in such Series.]/ [For as long as the Notes are held by a single Noteholder, the relevant Noteholder shall exercise all of the powers delegated to the representative of the <i>masse</i> and to the general assembly of the <i>masse</i> by the Terms of the Notes. The single Noteholder shall hold (or shall organise for an agent to hold) a register of all of the decisions taken by him in such capacity and shall make it available, upon request, by any other Noteholder. A Representative shall be appointed as soon as the Notes of one Series are held by more than one Noteholder.]</p> |
| <p>C. 10</p> <p>Payments of the interests linked to derivative(s)</p> | <p>Not applicable. Payments of interests related to the Notes are not linked to underlying instrument.</p> |
| <p>C.11</p> <p>Listing and admission to trading</p> | <p>Admission to trading</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>C.21</p> <p>Trading Markets</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

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| <p>D.2</p> <p>Key information on the principal risks related to the Issuer</p> | <p>The Issuer is exposed to different kinds of risk. 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><u>Risks relating to the Issuer</u></p> <p style="text-align: center;"><i>Risks relating to the Issuer, including its status and activity as a credit institution</i></p> <p>(1) Credit and concentration risk, due to the inability of counterparties to which the Issuer has granted a loan and other debtors of the Issuer to honour their financial commitments, in particular, Members, hedging contract counterparties and issuers of securities held in the Issuer's liquidity reserve;</p> |

- (2) Liquidity risk, including the risk of lack of liquidity, financing risk and liquidity price risk;
- (3) interest rate risk;
- (4) exchange rate risk;
- (5) Operational risks of the Issuer, linked to failures of its processes, its human resources (including internal fraud), its information system, risks linked to external events (including external fraud), legal risk and non-compliance risk;
- (6) Risks relating to potentially ineffective insurance taken to cover the operational risks to which the Issuer is exposed;
- (7) Activity-related and strategic risk, which arises from the risk that the Issuer's expenses may exceed its income;
- (8) The risk of breach of prudential ratios on which the maintenance of the Issuer's authorisation as a specialised credit institution as granted by the *Autorité de contrôle prudentiel et de résolution (ACPR)* is conditional;
- (9) Economic model risk related to the fact that the Issuer operates for the exclusive benefit of Members and can only grant loans to such entities, without any opportunity to diversify whatever the circumstances;
- (10) The risk of membership numbers and its impact on own funds and therefore the Issuer's activity.

Political, macro-economic risks, and risks relating to the specific financial circumstances of the State where the Issuer conducts its activities

- (1) Risks related to the political or economic environment, or risks relating to the specific financial circumstances of the State where the Issuer carries out its activities, France
- (2) The risks relating to the functioning of the financial markets;
- (3) The risks relating to clearing
- (4) The risks relating to the competitive environment in which the Issuer operates
- (5) The risks relating to regulatory developments and the resolution mechanism, which gives monitoring and resolution authorities powers which may have an impact on the rights of creditors and on the value of the Issuer, its business plan or the Notes it issues.

Risks relating to Members:

- (1) Risks relating to the legal validity of acts and decisions of Members.

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| | <p>(2) Risks relating to the legal protections available to the assets of public entities and the non-repayment of Members' debts.</p> <p>(3) Risks relating to the impact on the resources of Members exposed to potential 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.</p> <p>(4) Risks relating to changes to the territorial administrative organization, and the type and number of local authorities that make up its customer base.</p> <p><u>Risks relating the Notes Guarantee mechanism:</u></p> <p>(1) The risk that the amounts borrowed by the Issuer may be greater than the amounts that it lends to its Members, the Notes issued under the Programme never being 100% guaranteed under the Member Guarantees;</p> <p>(2) ST does not have sufficient liquidity or assets to pay the amounts that it might owe if all of its commitments under the ST Guarantee were to be called upon. ST may therefore depend on the proper execution by the Members of their obligations under the Member Guarantees.</p> <p>(3) 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>(4) 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>(5) Amounts issued from the activation of the ST Guarantee by the Issuer or from the activation of a Member Guarantee by the ST shall be placed in an escrow account opened in the name of ST for the benefit of the Beneficiaries. The placing of such amounts in the account does not create collateral in favour of the Beneficiaries. In the event that collective insolvency proceedings are brought against ST in accordance with Book VI of the Code de commerce, the Beneficiaries' claim to the amounts placed in the escrow account shall constitute unsecured claims ranking <i>pari passu</i> with the unsecured claims of other creditors of ST.</p> |
| <p>D.3</p> <p>Key information on the principal risks related to the Notes</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</p> |

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 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 proceeds 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) redemption at the option of the Noteholders of some Notes could affect the liquidity of Notes of the same Series which are not subject to such redemption at the option of the Noteholders;
- (6) 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;
- (7) 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;

- (8) 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;
- (9) 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 European financial transactions tax;
- (10) 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)

- (11) [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.
- (12) 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.]

(Include the following paragraph below for an issue of Fixed Rate Notes)

[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.]

(Include the following paragraph in case of fixed/Floating Rate Notes)

[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 choose 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,

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| | 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><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> |
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Section E – Offer

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| E.2b Reasons of the offer and using of the proceeds of the offer | <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 is used in priority to the distribution of loans to Members in connection with the credit granting policy and the gradual formation and maintaining 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> |
| E.3 Terms of the Notes | <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> |

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| <p>E.4</p> <p>Interests, including conflicting interests, that may significantly impact the issue/offer</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>E.7</p> <p>Estimated expenses charged to investor by the Issuer or the offeror</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.

GENERAL INFORMATION

1. The Issuer has obtained all consents, approvals and authorisations necessary in France in connection with the update 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). On 14 December 2016, the Board of Directors of the Issuer set the maximum issuance amount of the Notes during the year 2017 to 1,1 billion euros.
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 Board of Directors dated 16 February 2017 has increased the maximum cap for the ST Guarantee from 3,500,000,000 euros to 5,000,000,000 euros.
3. There has been no material change to the financial situation of the Issuer since 31 December 2016. Since 31 December 2016, there has been no material change in the financial or commercial position of ST.
4. There has been no material adverse change in the prospects of the Issuer since 31 December 2016. Since 31 December 2016, there has been no material change in the prospects of ST.
5. This Base Prospectus received visa No. 17-170 from the *Autorité des Marchés Financiers*, on 21 April 2017. 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 will be published on the websites of (a) the AMF (www.amf-france.org), (b) the Issuer (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. The documents incorporated by reference in the Base Prospectus and any supplement to this Base Prospectus will be published on the website of the Issuer (www.agence-france-locale.fr). 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) and (ii) the Issuer (www.agence-france-locale.fr).
7. During the twelve (12) months preceding the date of this Base Prospectus, there have not been any governmental, legal or arbitration proceedings (including any proceedings that the Issuer is aware of, which are pending or in relation to which the Issuer is being threatened) involving the Issuer, that may have or have recently had a material effect on the financial position or profitability of the Issuer. During the twelve (12) months preceding the date of this Base Prospectus, there have not been any governmental, legal or arbitration proceedings (including any proceedings that the Guarantor is aware of, which are pending or in relation to which the Guarantor is being threatened) involving the Guarantor that may have or have recently had a material effect on the financial position or profitability of the Guarantor.
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.

For the duration of this Base Prospectus, copies of the following documents will be available on the Issuer's website (www.agence-france-locale.fr):

- (a) the Issuer's Annual 2015 IFRS Financial Statements;
 - (b) the Issuer's Annual 2016 IFRS Financial Statements;
 - (c) the Issuer's Annual 2015 French GAAP Financial Statements;
 - (d) the Issuer's Annual 2016 French GAAP Financial Statements;
 - (e) ST's 2015 Consolidated Financial Statements; and
 - (f) ST's 2016 Consolidated Financial Statements.
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 (Tour Egho 2, avenue Gambetta 92066 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 years ended 31 December 2015 and 31 December 2016. 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 ends 31 December 2015 and 31 December 2016 and their related audit reports do not contain any reservations.

13. 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, such Stabilisation Measures may not necessarily take place. 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 cease 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.

RESPONSIBILITY FOR THE BASE PROSPECTUS

1. PERSONS ASSUMING RESPONSIBILITY FOR THIS BASE PROSPECTUS

Mr Yves Millardet, President of the Executive Board of the Issuer

Mr Olivier Landel, Chief Executive Officer of ST

2. 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."

Mr Yves Millardet, President of the Executive Board of the Issuer

Paris, 21 April 2017

"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."

Mr Olivier Landel, Chief Executive Officer of ST

Paris, 21 April 2017

3. PERSON ASSUMING RESPONSIBILITY FOR THE FINANCIAL INFORMATION

Thiébaud Julin, Chief Financial Officer, Member of the Issuer's Executive Board

Tour Oxygène, 10-12 boulevard Vivier Merle, 69003 Lyon

Telephone: + 33 (0) 4 81 11 29 33

Facsimile: +33 (0) 4 81 11 29 20

Thiebaut.julin@agence-France-locale.fr

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. 17-170 dated 21 April 2017. 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 "*that the document is complete and comprehensible, and that 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**
12, place des Etats-Unis
CS 70052
92547 Montrouge
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

White & Case LLP
19, place Vendôme
75001 Paris
France

to the Dealers

Allen & Overy LLP
52, avenue Hoche
CS 90005
75008 Paris
France

Auditors of the Issuer

KPMG Audit FS I
Tour Eqho
2, avenue Gambetta
92066 Paris La Défense CEDEX
France

Cailliau Dedouit et Associés
19, rue Clément Marot
75008 Paris
France

IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED IN THESE DOCUMENTS, THE RELEVANT STATEMENTS OR ITEMS OF THE FRENCH LANGUAGE "PROSPECTUS DE BASE" SHALL PREVAIL.